EXELON CORP
Form DEF 14A
March 21, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant Filed by a Party other than the Registrant

CHECK THE APPROPRIATE BOX:

Preliminary Proxy Statement
Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Under Rule 14a-12

EXELON CORPORATION

(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):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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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):
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1) Amount previously paid:
2) Form, Schedule or Registration Statement No.:
3) Filing Party:
4) Date Filed:

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NOTICE OF THE ANNUAL MEETING AND 2018 PROXY STATEMENT

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Exelon's Purpose:
Powering a cleaner and brighter future
for our customers and communities

We are collaborating with national labs, leading universities, start-ups, venture funds and corporations in the development of new technologies to transform the way we produce and use energy.
We will continue to advocate for the economic and environmental health of our communities.

Photo Credit: National Labs

Exelon, our family of companies, the Exelon Foundation and our employees set an Exelon record in corporate philanthropy and volunteerism, committing **more than $52 million to nonprofits and volunteering 210,000 hours.**

In 2017, we were named to the Dow Jones Sustainability Index **for the 12th consecutive year.**

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Notice of the Annual Meeting of Shareholders and 2018 Proxy Statement

March 21, 2018

Logistics

When
Tuesday, May 1, 2018,
at 9:00 a.m. Eastern Time

Where
Offices of Pepco Holdings LLC located at 701 Ninth Street, NW, Washington, D.C.

Who Can Vote
Holders of Exelon common stock as of 5:00 p.m. Eastern Time on March 2, 2018 are entitled to receive notice of the annual meeting and vote at the meeting

Items of Business

		Board Recommendation	Page
1	Elect 12 Director nominees named in the proxy statement	**FOR** each Director nominee	12
2	Ratify appointment of PricewaterhouseCoopers LLP as Exelon's independent auditor for 2018	**FOR**	41
3	Say on pay: advisory vote on the compensation of named executive officers	**FOR**	44

Shareholders will also conduct any other business properly presented before the meeting.

The Board of Directors knows of no other matters to be presented for action at the annual meeting. If any matter is presented from the floor of the annual meeting, the individuals serving as proxies will vote such matters in the best interest of all shareholders. Your signed proxy card gives this authority to Thomas S. O'Neill and Carter C. Culver.

Advance Voting (before 11:59 p.m. Eastern Time on April 30, 2018)

Use the internet at
www.proxyvote.com
24 hours a day

Call toll-free
1-800-690-6903

Mark, date, sign and mail your proxy card in the postage-paid envelope provided

Date of Mailing: On or about March 21, 2018, these proxy materials and our annual report are being mailed or made available to shareholders.

Shareholders of Record: As of March 2, 2018, there were 964,986,919 shares of common stock outstanding and entitled to vote. Each share of common stock is entitled to one vote on each matter properly brought before the meeting.

Thomas S. O'Neill
Senior Vice President,
General Counsel and Corporate Secretary

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 1, 2018

The Notice of 2018 Annual Meeting, Proxy Statement, and 2017 Annual Report and the means to vote by Internet are available at www.proxyvote.com.

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Cautionary Statements Regarding Forward-Looking Information

This proxy statement contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation include those factors discussed herein, as well as the items discussed in (1) Exelon's 2017 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 24 and (2) other factors discussed in filings with the SEC by Exelon. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this proxy statement. Exelon does not undertake any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this proxy statement.

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Proxy Statement Summary

This summary highlights selected information about the items to be voted on at the annual meeting of shareholders. This summary does not contain all of the information that you should consider in deciding how to vote. Please read the entire proxy statement before voting.

Exelon is America's Leading Energy Provider

We are a FORTUNE 100 company that works in key facets of the power business: power generation, competitive energy sales, transmission and delivery. As the nation's leading competitive power provider, Exelon does business in 48 states, D.C., and Canada and had 2017 revenues of $33.5 billion. We employ approximately 34,000 people nationwide.

The Exelon Family of Companies

Generation
Exelon is the largest competitive U.S. power generator, with more than 35,500 megawatts of nuclear, gas, wind, solar and hydroelectric generating capacity comprising one of the nation's cleanest and lowest-cost power generation fleets.

Energy Sales & Service
The Company's Constellation business unit provides energy products and services to approximately 2 million residential, public sector and business customers, including more than two-thirds of the Fortune 100.

Transmission & Delivery
Exelon's six utilities deliver electricity and natural gas to approximately 10 million customers in Delaware, the District of Columbia, Illinois, Maryland, New Jersey and Pennsylvania through its Delmarva Power, Pepco, ComEd, BGE, Atlantic City Electric and PECO subsidiaries.

Learn more at www.exeloncorp.com

Our Strategy

As the energy industry undergoes rapid changes, Exelon is executing a strategy to grow and diversify the Company. We're making targeted investments in our core markets and promising technologies with the potential to reshape the energy landscape.

The Exelon Strategic Plan

Grow our Regulated Utilities Business to benefit customers and provide earnings stability to our investors.

Focus on Cash Flow to support utility growth while reducing debt.

Optimize Exelon Generation value by seeking fair compensation for the zero-carbon attributes of our fleet, closing uneconomic plants, monetizing assets and maximizing the value of our fleet through our generation to load matching strategy.

Retain a Strong Balance Sheet with all businesses meeting investment grade metrics through the 2021 planning horizon.

Return Cash to Shareholders and meet Capital Allocation Priorities with 5% dividend growth annually through 2020[1] while prioritizing organic utility growth, debt reduction and modest contracted generation investments.

(1) Quarterly dividends are subject to declaration by the Board of Directors.

Learn more at http://www.exeloncorp.com/company/business-strategy

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Proxy Statement Summary

2017 Performance Highlights

"2017 was a great year for Exelon as our utilities delivered excellent performance in reliability and customer service, and our nuclear generation fleet produced the most power on record, all thanks to the great work of our people, who also set Company records for volunteerism and charitable giving."

Christopher Crane, CEO

Strong Financial and Operational Performance

- Achieved 2017 GAAP earnings per share (EPS) of $3.97 and adjusted (non-GAAP) operating EPS of $2.60 (see Appendix at A-1 for reconciliation)
- Results would have been $2.73 absent the deferral of 9 cents in Illinois zero emissions credits (ZEC) revenues given the Illinois Power Agency's decision to delay the ZEC procurement by one month into 2018, and a 4 cent impairment due to an unexpected Federal Energy Regulatory Commission (FERC) decision regarding utility transmission formula rate mechanisms
- Deployed targeted level of capital of $5.3 billion into our utilities to improve reliability, replace aging infrastructure, and enhance customer experience
- Announced commitment to lower costs by $250 million on an annual run-rate basis by 2020
- Increased the annual dividend growth rate to 5% from 2.5% for 2018 through 2020, effective in the first quarter of 2018
- Utilities performed largely at first quartile levels with especially strong results across key metrics:
- Baltimore Gas and Electric Company (BGE), Commonwealth Edison Company (ComEd) and PECO Energy Company (PECO) achieved first decile performance in the System Average Interruption Frequency Index (SAIFI)
- BGE and ComEd achieved first decile performance in the Customer Average Interruption Duration Index (CAIDI)
- Pepco Holdings, LLC (PHI) achieved best ever performance on SAIFI and CAIDI
- Completed the acquisition of the James A. FitzPatrick nuclear power plant in New York, preserving nearly 600 jobs
- Successfully executed PHI merger commitments to improve performance and reliability for our customers
- Continued total shareholder return (TSR) outperformance relative to the PHLX Utility Sector Index (UTY) in 2017
- Building on Exelon's 2016 TSR of 32.8%, we continued to deliver strong TSR performance of 15.1% in 2017, outperforming the UTY by 2.3 percentage points. For the three years beginning with 2015, Exelon trailed the UTY index by 4.9 percentage points driven by Exelon's 2015 TSR of negative 22.1%

Regulatory & Policy

- Successful dismissal of legal challenges of New York and Illinois ZEC programs in federal district courts; appeals process is ongoing
- FERC recognized need to better understand power system resilience. Created "Grid Resilience in Regional Transmission Organizations and Independent System Operators" order to seek input from regional transmission organizations (RTOs) on how market rules may need to be changed
- Completed 11 distribution and 6 transmission rate cases with regulatory authorities, increasing annual revenue and rate base by an expected combined $396 million

Employees & Community

- 2017 awards and recognitions include: Billion Dollar Roundtable, Civic 50, Top 50 Companies for Diversity, Best Places to Work in 2017, CEO Action for Diversity & Inclusion, and UN's HeForShe
- Exelon and our employees set a new record in corporate philanthropy and volunteerism, committing over $52 million in giving and volunteering 210,000 hours
- Recognized by Dow Jones Sustainability Index for 12th consecutive year and by NewsWeek Green rankings for 9th consecutive year
- 2,200 employees, contractors and support personnel from Exelon's six utilities mobilized to assist residents in the southeastern U.S. impacted by Hurricane Irma

Exelon 2017 Summary Annual Report

Learn more about Exelon from our 2017 Summary Annual Report at www.exeloncorp.com

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Proxy Statement Summary

Matters for Shareholder Voting

We are asking our shareholders to vote on the following matters:

Proposal 1
Election of Directors

The Board of Directors recommends a vote **FOR** each of the 12 Director nominees named in this proxy statement.

The Board is composed of a diverse set of deeply talented and highly experienced professionals.

Director skills and attributes comprise effective oversight abilities over Exelon's strategic goals and business performance.

Exelon had a strong 2017 financially and operationally.

Exelon's operational excellence and commitments to environmental stewardship inform our business conduct in a way that is sustainable for our customers, employees, and the communities we serve.

For more information about the nominees' qualifications, skills, and experiences, please see pages 15-26.

DIRECTOR NOMINEES

Name and Age	Director Since	Exelon Committees	Other Current Public Company Boards
ANTHONY K. ANDERSON, 62 Retired Vice Chair and Midwest Area Managing Partner of Ernst & Young Independent	2013	Audit (Chair) Finance and Risk Generation Oversight	3
ANN C. BERZIN, 66 Former Chairman and Chief Executive Officer of Financial Guaranty Insurance Company Independent	2012	Audit Finance and Risk	1
CHRISTOPHER M. CRANE, 59 President and Chief Executive Officer of Exelon Corporation	2012	Finance and Risk Generation Oversight Investment Oversight	0
YVES C. DE BALMANN, 71 Former Co-Chairman of Bregal Investments LP Independent	2012	Compensation and Leadership Development (Chair) Corporate Governance Finance and Risk	1
NICHOLAS DEBENEDICTIS, 72 Chairman Emeritus, Aqua America Inc. Independent	2002	Corporate Governance Finance and Risk Generation Oversight	3
LINDA P. JOJO, 52 Executive Vice President, Technology and Chief Digital Officer of United Continental Holdings, Inc. Independent	2015	Compensation and Leadership Development Finance and Risk	0
PAUL L. JOSKOW, Ph. D., 70 Professor of Economics Emeritus, Massachusetts Institute of Technology and President Emeritus of the Alfred P. Sloan Foundation Independent	2007	Audit Finance and Risk Investment Oversight	0
ROBERT J. LAWLESS, 71 Former Chairman of the Board of McCormick & Company, Inc. Independent	2012	Corporate Governance (Chair) Compensation and Leadership Development Finance and Risk	0
RICHARD W. MIES, 73 Retired Admiral, U.S. Navy and President and Chief Executive Officer of The Mies Group, Ltd. Independent	2009	Generation Oversight (Chair) Audit Finance and Risk	1
JOHN W. ROGERS, JR., 59 Chairman and Chief Executive Officer of Ariel Investments, LLC Independent	2000	Investment Oversight (Chair) Corporate Governance	1

MAYO A. SHATTUCK III, 63 Chairman of the Board Former Chairman, President and Chief Executive Officer of Constellation Energy Independent	2012	Finance and Risk Generation Oversight Investment Oversight	3
STEPHEN D. STEINOUR, 59 Chairman, President and Chief Executive Officer of Huntington Bancshares Incorporated Independent	2007	Finance and Risk (Chair) Audit	2

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SUMMARY OF INDIVIDUAL DIRECTOR PRIMARY SKILLS, CORE COMPETENCIES AND ATTRIBUTES

The following matrix identifies the **primary** skills, core competencies and other attributes that each independent Director brings to bear in their service to Exelon's Board and Committees. Each Director possesses numerous other skills and competencies not identified below. We believe identifying primary skills is a more meaningful presentation of the key contributions and value that each independent Director brings to their service on the Board and to Exelon shareholders. See page 13 for more details.

Accounting and financial reporting experience

Corporate finance and capital management experience

CEO/executive management leadership skills

Human resource management and executive compensation knowledge and experience

Innovation and technology experience

Safety and security (including physical and cyber) competencies

Industry experience and knowledge of Exelon's business

Government/public policy and regulatory insights

Risk oversight and risk management experience

Investor relations and investment management experience

Manufacturing, construction, engineering, and performance management experience

Diverse attributes

DIVERSITY, TENURE, AGE AND INDEPENDENCE

Directors' Race/Ethnicity	Directors' Gender	Directors' Average Tenure	Directors' Average Age	Directors' Independence
17%	17%	8.6	65	92%
Diverse	**Female**	**Years**	**Years**	**Independent, including our Chairman**

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Proxy Statement Summary

Governance Highlights

Exelon's Board is committed to maintaining the highest standards of corporate governance. We believe our strong corporate governance practices help us achieve our performance goals and maintain the trust and confidence of our shareholders, employees, customers, regulatory agencies and other stakeholders. A summary of our corporate governance practices are described below and more detail is presented on pages 27-37 and in our Corporate Governance Principles, which are available on the Exelon website at www.exeloncorp.com on the Governance page located under the Investors tab.

Board Accountability & Shareholder Rights

Directors are elected annually by a majority of votes cast in uncontested elections. The average level of vote support for Directors in 2017 was 97%.

Regular and ongoing shareholder engagement informs Board and Committee decisions on governance, compensation, and other matters.

Eligible shareholders may nominate Directors through Exelon's "proxy access" bylaws.

Oversight of Risk Management

The Board regularly reviews management's systematic approach to identifying and assessing risks faced by Exelon and each business unit taking into account emerging trends and developments and in connection with capital investments and business opportunities.

Our Board's Finance and Risk Committee oversees Exelon's risk management strategy, policies and practices, financial condition and risk exposures.

Governance Practices

Our Board and each of the Board's six Committees review their performance and effectiveness as a group on an annual basis. In addition, individual Directors undergo a periodic performance assessment that includes input from peers and select members of executive management.

Continuing director education is provided during Board and Committee meetings and the Company encourages Director participation in externally offered director development opportunities.

Independent Directors meet regularly in executive sessions without management.

Robust stock ownership guidelines require Directors to hold at least 15,000 shares of Exelon common stock within five years after joining the Board; the CEO to hold shares valued at 6X his base salary, and Executive Vice Presidents and higher level officers to hold shares valued at 3X base salary. Hedging, pledging, and short sales are prohibited.

Directors may not stand for election after age 75.

Directors should not serve on the boards of more than four other public companies in addition to Exelon and its subsidiaries and any Director who serves as the CEO of a public company should not serve on more than two other public company boards in addition to Exelon.

Political activities and contributions are transparent through annual reporting provided on www.exeloncorp.com

Purpose and Principles

In 2017, we set out to articulate our purpose as a Company—how and why we exist. Thousands of employees from across the Company provided input, and the result is a bold affirmation of our reason for being. It also gives us a renewed focus on the impact we have in the communities where we work and live. Each day we are working to power people's lives, to make them brighter and to build a better future. Our principles serve as our guide.

Purpose **Powering a cleaner and brighter future for our customers and communities.**

We put customer needs at the center of all we do by fueling innovation to improve the delivery of clean and affordable energy and services.

We practice the highest level of safety and security to reliably deliver energy to our customers and communities.

Our workforce is the foundation of our success. We succeed as a team of diverse individuals; respected, engaged and inspired to shape our nation's energy future.

We return our success to the communities we are privileged to serve.

Principles We adhere to the highest standards–ethically and with uncompromising integrity–to drive value for our customers and shareholders.

Proposal 2

Ratify Appointment of PricewaterhouseCoopers LLP as independent auditor for 2018

The Board of Directors recommends a vote **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP (PwC) as Exelon's independent auditor for 2018. The Board and Audit Committee believe the retention of PwC is in the best interests of Exelon and its shareholders based on the information presented in detail beginning on page 41.

Proposal 3

Say on Pay: Advisory Vote on the Compensation of the Named Executives

The Board of Directors recommends a vote **FOR** this proposal based on the efforts of the Compensation and Leadership Development Committee and Board to design an executive compensation program that:

- Aligns the interests of Exelon executives with Company shareholders
- Provides market-aligned pay opportunities that foster the attraction, motivation, engagement, and retention of key talent needed to drive outstanding Company performance and customer service and long-term shareholder value
- Reflects the input received from shareholders on our executive compensation program

Although the vote on this proposal is non-binding, the Board and Compensation and Leadership Development Committee take vote results into consideration when evaluating Exelon s executive compensation program on an ongoing basis.

Details about our executive compensation program are provided at pages 45-61.

2017 Executive Compensation Highlights

Strong CEO Pay for Performance Closely Aligned to Total Shareholder Return (TSR)

From 2013 through 2017, CEO pay decreased at an annualized rate of 2.9% from $17.2M to $14.9M, while Exelon's TSR increased at an annualized rate of 10.6%. See more details at page 48.

2017 Say-on-Pay Vote Outcome and Shareholder Engagement

Exelon's 2017 Say-on-Pay vote received the affirmative support of 86% of votes cast. To gain this level of support, Exelon engaged in discussions with holders of nearly 45% of our outstanding shares representing almost two-thirds of the Company's institutional investors to discuss proposed changes and gather input. The Exelon team, which included the Chair of the Compensation and Leadership Development Committee for some of the discussions, sought input from portfolio managers and governance professionals representing very large institutional money managers as well as smaller investment and public pension funds to ensure that the input received represented a significant cross-section of our shareholder base.

2017 Compensation Program

The goal of our executive compensation program is to retain and reward leaders who create long-term value for our shareholders by delivering on objectives that support the Company's long-term strategic plan.

To meet this goal, the majority of compensation paid to our named executive officers (NEOs) is tied to the achievement of short-and long-term financial and operational goals. Additionally, a significant portion is paid in the form of equity and all components except for salary are "at-risk."

The elements of our 2017 program were as follows:

AVERAGE NEO (INCLUDING CEO) TARGET COMPENSATION MIX

Strong Compensation Governance

What We Do

- Pay for performance
- Significant stock ownership requirements for Directors and executive officers
- Mitigate undue risk in compensation programs
- Require double-trigger for change-in-control benefits
- Retain an independent compensation consultant
- Provide limited, modest perquisites based on sound business rationale
- Seek shareholder feedback on executive compensation
- Prohibit hedging transactions, short sales, derivative transactions or pledging of Company stock
- Require executive officers to trade through 10b5-1 trading plans or obtain pre-approval before trading Exelon stock
- Annually assess our programs against peer companies and best practices
- Include appropriate level of stretch in incentive targets based on industry performance and/or Exelon's business plan
- Clawback provisions

What We Don't Do

- No guaranteed minimum payout of AIP or LTIP programs
- No employment agreements
- No excise tax gross-ups for change-in-control agreements
- No dividend-equivalents on PShares
- No inclusion of the value of LTIP awards in pension or severance calculations
- No additional credited service under supplemental pension plans since 2004
- No option re-pricing or buyouts

For a detailed discussion of our executive compensation program, please see page 45.

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Board and Corporate Governance Matters

Proposal 1: Election of Directors

The Corporate Governance Committee collaborates with Exelon's Board Chair to determine the appropriate mix of skills and characteristics that our Board requires. The Board has determined that the current composition and size of the Board is appropriate for Exelon, considering the Company's size, geographic scope, and need to access a wide range of views and backgrounds to reflect the diversity and complexity of our business and the markets we serve. There are 12 nominees for Director at the 2018 annual meeting.

The Board of Directors unanimously recommends a vote "FOR" each of the Director nominees.

The Exelon Board of Directors

Director Qualifications and Nomination

Effective oversight of Exelon's strategic direction requires our Board to be composed of diverse individuals who possess attributes and core competencies important to the oversight of our Company. The Corporate Governance Committee identifies and recommends Director nominees for election to the Board and periodically also retains a board search firm to assist with the identification of potential candidates.

The Board values the diversity of thought that arises from Directors possessing different backgrounds, gender, age, race, and geographic experiences. The Board also deeply values the enhanced and thoughtful deliberations resulting from a balance of short- and long-tenured Directors that provides a mix of fresh perspectives and new ideas with deep and important utility and regulated industry and business cycle experiences.

The Corporate Governance Committee and the full Board determine the appropriate mix of skills and characteristics required to best fill the needs of the Board taking into account the short- and long-term strategies of the Company to determine the current and future skills and experiences required of the Board. All candidates should demonstrate the following attributes to qualify for Board service:

- Highest personal and professional ethics, integrity and values;
- An inquiring and independent mind, practical wisdom and mature judgment;
- Broad training and experience at the policy-making level in business, government, education or technology;
- Expertise that is useful to the enterprise and complementary to the background and experience of other Directors;
- Willingness to remain current with industry and other developments relevant to Exelon's strategic direction;
- Willingness to devote the required amount of time to carrying out the duties and responsibilities of Board membership and a commitment to serve over a period of years to develop knowledge about Exelon's principal operations;
- A commitment to representing the long-term interests of shareholders, customers, employees and communities served by the Company and its subsidiaries; and
- Involvement only in activities or interests that do not conflict with responsibilities to Exelon and its shareholders.

In addition, the Board as a whole should reflect core competencies in the following areas. Summarized below is a description of why each core competency is important for service on Exelon's Board.

Description of Skills, Core Competencies and Attributes

Accounting and financial reporting experience is important to Exelon's use of broad financial metrics used to accurately and transparently measure and report operating performance and assess financial merits of strategic opportunities.

Corporate finance and capital management experience is important to effectively oversee the financial affairs of Exelon's operations.

CEO/executive management leadership skills are important to gain a practical understanding of organizations and drivers of individual growth and development.

Human Resource management and executive compensation knowledge and experience help Exelon recruit, retain, and develop key talent essential to Company operations.

Innovation and Technology experience is important in overseeing Exelon's business in the rapidly changing energy markets, and physical and cyber threats against the security of our operations, assets, and systems.

Safety and security (including physical and cyber) competencies are critical to oversee safe and secure nuclear operations, power grids, and our other assets.

Industry experience and knowledge of Exelon's businesshelp inform our views on energy markets and economics, technology, nuclear power, renewable energy, electric and gas transmission and distribution and the public policy and public safety implications of these aspects.

Government/Public Policy and Regulatory insights are important to help shape public policy initiatives and government regulation.

Risk Oversight and Risk Management experience inform Exelon's enterprise risk management of key risks with potential to impact public safety and shareholder value including its environmental impacts.

Investor Relations and Investment Management experience ensures strong alignment with investors and inform decision making on value-adding initiatives.

Manufacturing, construction, engineering, and performance management experience inform Exelon's ongoing commitment to maintaining and strengthening the reliability of the electric and gas transmission and distribution systems, smart grid and generation portfolio and assets.

Diverse attributes reflect the Company's commitment to diversity and inclusion through age, ethnicity, gender, race and sexual orientation.

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Director Nominees

The Board nominates the 12 candidates named below for re-election as Directors. If elected by shareholders, each Director will serve a term ending with the 2019 annual meeting. Each nominee has agreed to be named in this proxy statement and to serve as a Director, if elected. If any Director is unable to stand for election at the annual meeting, the Board may reduce the number of Directors or designate a substitute. In that case, shares represented by proxies may be voted for a substitute Director. Exelon does not expect that any Director nominee will be unable to serve.

Nancy Gioia announced her decision to not stand for election at the 2018 annual shareholders meeting. The Board wishes to acknowledge Ms. Gioia's service and dedication to Exelon.

The Corporate Governance Committee and the Board believe the skills and experiences listed above are well represented among the Director nominees.

The Committee and Board also believe the nominees represent an effective mix of backgrounds, experience and diversity.

KEY BOARD FACTS

17%
Diversity of Race/Ethnicity

17%
Female

92%
Independent, including our Chairman

65 years
Average age

8.6 years
Average Tenure

The Corporate Governance Committee also considers whether each nominee has the time available, in light of other business and personal commitments. Among the criteria considered is whether any incumbent Director nominee demonstrates preparedness and engagement required for effective service to the Board and its Committees. The Board has adopted limits on other board memberships providing that Directors who serve as the CEO of a public company should not serve on more than two other public company boards in addition to Exelon and its subsidiary boards. Other Directors should not serve on the boards of more than four other public companies in addition to the Exelon Board and its subsidiary boards.

In connection with the nomination of Stephen Steinour, the Corporate Governance Committee considered Mr. Steinour's consistently demonstrated preparedness, engagement, and attention to Exelon Board stewardship and his vigorous leadership of the Finance and Risk Committee.

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Anthony K. Anderson

Age: 62

Director since: 2013

Committee Memberships:

- Audit (Chair)
- Finance and Risk
- Generation Oversight

Career Highlights

Mr. Anderson served as the Vice Chair and Midwest Area Managing Partner of Ernst & Young (EY), a global assurance, tax, transaction and advisory services firm, until his retirement in 2012. During Mr. Anderson's 35-year career with EY, he oversaw a practice of 3,500 audit, tax, and transaction professionals serving clients throughout the Midwest and also served for six years in the Los Angeles area as managing partner of EY's Pacific Southwest region. Mr. Anderson also served as a member of EY's governing body, the Americas Executive Board.

Board Service

Mr. Anderson currently serves as a director of AAR Corp. (aerospace and defense), Avery Dennison (manufacturer of adhesive technologies, display graphics and packaging materials), and Marsh & McLennan Companies (global professional services firm). He is also a director of the Regional Transportation Authority (oversight body for regional transportation agencies), chairman of the board of the Perspectives Charter School, and on the board of directors for World Business Chicago.

Mr. Anderson previously served as a director of First American Financial Corporation from 2012 to 2016 and the Federal Reserve Bank of Chicago from 2008 to 2010. Mr. Anderson also previously served as a director of The Chicago Council on Global Affairs and as a director of the Chicago Urban League.

Primary Skills, Core Competencies and Attributes

Mr. Anderson's experience as the vice chair of a global professional services firm and his training and experience as an audit partner and certified public accountant enhance his contribution to the Exelon Board and add value to his leadership of the Audit Committee and service on the Finance and Risk Committee.

Accounting and financial reporting experience Human resource management and executive compensation knowledge	Corporate finance and capital management experience Risk oversight and risk management experience	CEO/executive management leadership skills

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Ann C. Berzin

Age: 66

Director since: 2012

Committee Memberships:

Audit

Finance and Risk

Career Highlights

Ms. Berzin served as Chairman and Chief Executive Officer of Financial Guaranty Insurance Company (FGIC), an insurer of municipal bonds, asset-backed securities and structured finance obligations, from 1992 to 2001. Ms. Berzin joined FGIC in 1985 as its General Counsel following seven years of securities law practice in New York City.

Board Service

Ms. Berzin currently serves as a director of Ingersoll-Rand plc (industrial manufacturing). Ms. Berzin previously served as a director of Kindred Healthcare, Inc. from 2006 to 2012 and as a director of Constellation Energy Group from 2008 to 2012 when Constellation merged with Exelon.

Ms. Berzin also serves on the board of Baltimore Gas and Electric Company, an Exelon subsidiary.

Primary Skills, Core Competencies and Attributes

Ms. Berzin has broad business and executive leadership experience, as well as expertise in the financial services sector, which is particularly valuable for her service on the Audit and Finance and Risk Committees.

Accounting and financial reporting experience Investor relations and investment management experience	Corporate finance and capital management experience	CEO/executive management leadership skills	Risk oversight and risk management experience

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Board and Corporate Governance Matters

Christopher M. Crane

Age: 59

Director since: 2012

Committee Memberships:

- Finance and Risk
- Generation Oversight
- Investment Oversight

Career Highlights

Mr. Crane is President and Chief Executive Officer of Exelon Corporation. Previously, he served as President and Chief Operating Officer of Exelon and Exelon Generation from 2008 to 2012. In that role, he oversaw one of the U.S. industry's largest portfolios of electric generating capacity, with a multi-regional reach and the nation's largest fleet of nuclear power plants. He directed a broad range of activities including major acquisitions, transmission strategy, cost management initiatives, major capital programs, generation asset optimization and generation development. Mr. Crane is one of the leading executives in the electric utility and power industries.

Board Service

Mr. Crane is vice-chairman and a member of the executive committee of the Edison Electric Institute. He also serves as vice-chairman of the Institute of Nuclear Power Operations, the industry organization promoting the highest levels of safety and reliability in nuclear plant operation.

Mr. Crane previously served as vice chairman of the Nuclear Energy Institute, the nation's nuclear industry trade association. Mr. Crane served as a director of Aleris International Inc. from 2010 to 2013.

Mr. Crane also serves as Chair of the boards of directors of Exelon subsidiaries Baltimore Gas and Electric Company, Commonwealth Edison Company, PECO Energy Company, and Pepco Holdings LLC.

Primary Skills, Core Competencies and Attributes

In his role, Mr. Crane oversees a family of companies representing every stage of the energy business, including Exelon Generation, one of the largest, cleanest, and lowest-cost power generation fleets in the country. Mr. Crane also oversees Exelon's six utilities, which deliver electricity and natural gas to approximately 10 million customers in Delaware, the District of Columbia, Illinois, Maryland, New Jersey, and Pennsylvania.

Accounting and financial reporting experience	Corporate finance and capital management experience	CEO/executive management leadership skills	Human resource management and executive compensation knowledge
Innovation and technology experience	Safety and Security (including physical and cyber)	Industry experience and knowledge of Exelon's business	Government/ public policy and regulatory insights
Risk oversight and risk management experience	Investor relations and investment management experience	Manufacturing, construction, engineering, and performance management experience	

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Yves C. de Balmann

Age: 71

Director since: 2012

Committee Memberships:

Compensation and Leadership Development (Chair)

Corporate Governance

Finance and Risk

Career Highlights

Mr. de Balmann served as the Co-Chairman of Bregal Investments LP (private equity investing firm) from 2002 to 2012. Previously, he was Vice-Chairman of Bankers Trust Corporation, in charge of Global Investment Banking, until its merger with Deutsche Bank in 1999 at which time he became Co-Head of Deutsche Bank's Global Investment Bank and Co-Chairman and Co-Chief Executive Officer of Deutsche Banc Alex. Brown from 1999 to 2001. He remained a Senior Advisor to Deutsche Bank AG from 2001 to 2003.

Board Service

Mr. de Balmann currently serves as a director of ESI Group (virtual prototyping software and services) which is listed in compartment B of Euronext Paris. Previously, Mr. de Balmann served as a director of Laureate Education, Inc. and as the non-executive chairman of Conversant Intellectual Property Management. Mr. de Balmann also served as a director of Constellation Energy Group from 2003 to 2012 when Constellation merged with Exelon.

Primary Skills, Core Competencies and Attributes

Mr. de Balmann has extensive experience in corporate finance, including the derivatives and capital markets as well as industry experience as a director of Constellation Energy Group from 2003 to 2012. His background leading major organizations informs his leadership of the Compensation and Leadership Development Committee.

Corporate finance and capital management experience Investor relations and investment management experience	CEO/executive management leadership skills	Human resource management and executive compensation knowledge	Risk oversight and risk management experience

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Nicholas DeBenedictis

Age: 72

Director since: 2002

Committee Memberships:

Corporate Governance
Finance and Risk
Generation Oversight

Career Highlights

Mr. DeBenedictis currently serves as Chairman Emeritus of Aqua America Inc. (water utility operating in eight states) and served as its Chairman and Chief Executive Officer from 1993 to 2015. As CEO of Aqua America, Mr. DeBenedictis gained experience in dealing with many of the same development, land use, and utility regulatory issues that affect Exelon and its subsidiaries. Mr. DeBenedictis also has extensive experience in environmental regulation and economic development, having served in two cabinet positions in the Pennsylvania government: Secretary of the Pennsylvania Department of Environmental Resources and Director of the Office of Economic Development. He also spent eight years with the U.S. Environmental Protection Agency and was President of the Greater Philadelphia Chamber of Commerce for three years.

Board Service

In addition to serving as Chairman Emeritus of Aqua America, Mr. DeBenedictis has served as a director of MISTRAS Group (asset protection solutions) since 2015 and as a director of P.H. Glatfelter, Inc. (global supplier of specialty papers and engineered products) since 1995. Previously, Mr. DeBenedictis served as a director of Met-Pro Corporation from 1997 to 2010.

Mr. DeBenedictis also serves on the boards of Commonwealth Edison Company and PECO Energy Company, which are Exelon subsidiaries.

Primary Skills, Core Competencies and Attributes

As a leader in the greater Philadelphia business community, Mr. DeBenedictis has deep knowledge of the communities and local economies served by PECO. Mr. DeBenedictis' experiences as former CEO of a public company, service on other company boards, former utility executive, familiarity and experience with environmental regulations, and his educational background in environmental engineering and science, all provide valuable perspectives to Exelon's Board, Finance and Risk, Generation Oversight, and Corporate Governance Committees.

Corporate finance and capital management experience Risk oversight and risk management experience	CEO/executive management leadership skills	Industry experience and knowledge of Exelon's business	Government/ public policy and regulatory insights

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Linda P. Jojo

Age: 52

Director since: 2015

Committee Memberships:

- Compensation and Leadership Development
- Finance and Risk

Career Highlights

Ms. Jojo is Executive Vice President, Technology and Chief Digital Officer of United Continental Holdings, Inc. (commercial airline). She is responsible for the effective implementation and management of technology strategy and solutions supporting United's global business. She has held her current position at United since 2014. Prior to joining United, she served as Executive Vice President and Chief Information Officer for Rogers Communications Inc. from 2011 to 2014 (wireless communication and media company), where she was responsible for all IT systems for both customer facing and business support systems. Prior to this, Ms. Jojo served in other senior officer roles at Energy Future Holdings Corporation (held a portfolio of competitive and regulated energy companies), Flowserve Corporation (suppliers of industrial and environmental machinery), General Electric, and General Electric Silicones.

Board Service

Ms. Jojo serves as vice-chair of the board of trustees of the Adler Planetarium in Chicago, Illinois.

Primary Skills, Core Competencies and Attributes

Ms. Jojo has a wealth of experience leading complex IT organizations and brings important information technology and innovation expertise to Exelon's Board. Ms. Jojo's educational background in computer science and industrial engineering also lend expertise to Exelon's risk oversight areas and cybersecurity initiatives.

Human resource management and executive compensation knowledge Manufacturing, construction, engineering, and performance management experience	Innovation and technology experience	Safety and Security (including physical and cyber)	Industry experience and knowledge of Exelon's business

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Paul L. Joskow, Ph. D.

Age: 70

Director since: 2007

Committee Memberships:

- Audit
- Finance and Risk
- Investment Oversight

Career Highlights

Dr. Joskow is the Elizabeth and James Killian Professor of Economics, Emeritus at the Massachusetts Institute of Technology (MIT). He is also the President Emeritus of the Alfred P. Sloan Foundation, where he served as president for ten years until 2017. Dr. Joskow joined the MIT faculty in 1972. He served as head of the MIT Department of Economics from 1994 to 1998 and as Director of the MIT Center for Energy and Environmental Policy Research from 1999 to 2007. Dr. Joskow's teaching and research has been in the areas of industrial organization, energy and environmental economics, competition policy, and government regulation of industry. Much of his research and consulting activity has focused on the electric power industry, electricity pricing, fuel supply, demand, generating technology, and regulation.

Dr. Joskow has served on the U.S. Environmental Protection Agency's (EPA) Acid Rain Advisory Committee and on the Environmental Economics Committee of the EPA's Science Advisory Board. Dr. Joskow also served on the National Commission on Energy Policy, as a member of the Secretary of Energy Advisory Board, and as chair of the National Academies Board on Science, Technology and Economic Policy. He is a fellow of the American Academy of Arts and Sciences, a fellow of the Econometric Society and a distinguished fellow of the American Economic Association.

Board Service

Dr. Joskow currently serves as a member of the board of trustees of the Putnam Mutual Funds. He previously served as a director of New England Electric System from 1987 to 2000 until it was acquired by National Grid, following which he served as a director of National Grid plc from 2000 to 2007. Dr. Joskow served as a director of TransCanada Corporation from 2004 to 2013.

Primary Skills, Core Competencies and Attributes

Dr. Joskow's extensive background in economics and energy and his experience as a utility director offer a unique set of skills to the Company's Board of Directors.

CEO/executive management leadership skills	Industry experience and knowledge of Exelon's business	Government/ public policy and regulatory insights	Innovation and technology experience
Investor relations and investment management experience			

Robert J. Lawless

Age: 71

Director since: 2012

Committee Memberships:

Corporate Governance (Chair)

Compensation and Leadership Development

Finance and Risk

Career Highlights

Mr. Lawless served as Chairman of McCormick & Company, Inc. (food manufacturing industry) from 1997 to 2009, having also served as its President until 2006, and its Chief Executive Officer until his retirement in 2008.

Board Service

Mr. Lawless currently serves as a director of The Baltimore Life Insurance Company (insurance provider). Mr. Lawless previously served as a director of Constellation Energy Group from 2002 to 2012 when Constellation merged with Exelon.

Primary Skills, Core Competencies and Attributes

Mr. Lawless has extensive executive leadership and strategic planning experience. As a former chief executive officer of a public company, he provides critical perspectives on governance and other public company issues that inform his leadership of the Corporate Governance Committee.

Accounting and financial reporting experience Manufacturing, construction, engineering, and performance management experience	CEO/executive management leadership skills	Human resource management and executive compensation knowledge	Investor relations and investment management experience

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Richard W. Mies

Age: 73

Director since: 2009

Committee Memberships:

Generation Oversight (Chair)

Audit

Finance and Risk

Career Highlights

Admiral Mies is President and Chief Executive Officer of The Mies Group, Ltd, a private consulting firm, providing strategic planning and risk assessment advice and assistance to clients on international security, energy, defense, and maritime issues. A graduate of the Naval Academy, he completed a 35-year career as a nuclear submariner in the US Navy. Admiral Mies has a wide range of operational command experience, having served as the senior operational commander of the US Submarine Force, and commander of the U.S. Strategic Command for four years prior to his retirement in 2002. Following his retirement, Admiral Mies served as a Senior Vice President of Science Applications International Corporation (SAIC), a provider of scientific and engineering applications for national security, energy, and the environment, and as President and Chief Executive Officer of Hicks and Associates, Inc., a subsidiary of SAIC from 2002 to 2007.

Board Service

From 2008 to 2010, Admiral Mies served as a director of McDermott International. In 2010, he transitioned to the board of Babcock and Wilcox (B&W), an equipment and technology provider to the energy industry, when that company spun off from McDermott International. Following the split of B&W into Babcock and Wilcox Enterprises and BWX Technologies, Inc. (BWXT), he transitioned to the board of BWXT, a supplier to the nuclear power industry, where he currently serves as a director. He is also a member of the board of governors for Los Alamos National Security, LLC and the board of governors for Lawrence Livermore National Security LLC. Admiral Mies previously served as a director of Mutual of Omaha from 2002 to 2014.

Primary Skills, Core Competencies and Attributes

Admiral Mies' extensive educational background in mechanical engineering and mathematics, and post-graduate studies and degrees in government administration and international relations at Oxford University, the Fletcher School of Law and Diplomacy, and Harvard University contribute to his insights and leadership of the Generation Oversight Committee and his service on the Finance and Risk, and Audit Committees. His deep leadership experience with nuclear power and strategic planning in the Navy and in business and through his experience on the boards of other companies enable his ability to provide thoughtful contributions to the Exelon Board.

CEO/executive management leadership skills Risk oversight and risk management experience	Innovation and technology experience	Safety and Security (including physical and cyber)	Industry experience and knowledge of Exelon's business

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John W. Rogers, Jr.

Age: 59

Director since: 2000

Committee Memberships:

- Investment Oversight (Chair)
- Corporate Governance Committee
- Finance and Risk until April 2017

Career Highlights

Mr. Rogers is the Chairman and CEO of Ariel Investments, LLC, an institutional money management firm that he founded in 1983. Mr. Rogers also serves as trustee of the Ariel Investment Trust.

Board Service

Mr. Rogers has served as a director of McDonald's Corporation (global foodservice retailer) since 2003. He previously served as a director of Aon Corporation from 1993 to 2012; GATX Corporation from 1998 to 2004; Bank One Corporation from 1998 to 2004; and Bally Total Fitness from 2003 to 2006.

Primary Skills, Core Competencies and Attributes

Mr. Rogers' broad experience on the boards of a number of major public corporations doing business in a variety of industries has made him a leader in the Chicago business community with perspectives into Chicago business developments. His role in Chicago's and the nation's African-American community brings diversity to the Board and emphasis to Exelon's robust diversity initiatives and community outreach. His success in investment management and the financial markets, and board service at an insurance brokerage and services company, provide him with honed skills and expertise ideal to his leadership of the Investment Oversight Committee and its role in managing Exelon's extensive nuclear decommissioning, pension, and post-retirement benefit trust funds. Mr. Rogers' service on the boards and committees of other companies has provided experience that adds further depth to the Corporate Governance Committee. He was named one of six 2010 Outstanding Directors by the Outstanding Directors Exchange.

Corporate finance and capital management experience Human resource management and executive compensation knowledge	CEO/executive management leadership skills	Government/ public policy and regulatory insights	Investor relations and investment management experience

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Mayo A. Shattuck III

Chairman of the Board

Age: 63

Director since: 2012

Committee Memberships:

- Finance and Risk
- Generation Oversight
- Investment Oversight

Career Highlights

Mr. Shattuck serves as the independent Board Chair of Exelon Corporation. He previously served as Executive Chair of Exelon from 2012 to 2013. Prior to joining Exelon, Mr. Shattuck was the Chairman, President and Chief Executive Officer of Constellation Energy from 2001 until 2012, when Constellation merged with Exelon. Prior to this, Mr. Shattuck was at Deutsche Bank, where he served as Chairman of the Board of Deutsche Bank Alex. Brown and, during his tenure, also served as Global Head of Investment Banking and Global Head of Private Banking. From 1997 to 1999, he served as Vice Chairman of Bankers Trust Corporation, which merged with Deutsche Bank in 1999. From 1991 until 1997, Mr. Shattuck was President and Chief Operating Officer and a Director of Alex. Brown Inc., which merged with Bankers Trust in 1997.

Mr. Shattuck is the past chairman of the Institute of Nuclear Power Operations and was previously a member of the executive committee of the board of Edison Electric Institute. He was also co-chairman of the Center for Strategic & International Studies Commission on Nuclear Policy in the United States.

Board Service

Mr. Shattuck currently serves as a director of Gap Inc. (clothing retailer), Capital One Financial Corporation (commercial banking services), and at Alarm.com Holdings, Inc. (cloud-based security and monitoring services).

Primary Skills, Core Competencies and Attributes

Mr. Shattuck's qualifications to serve as Board Chair include his extensive experience in business, and the energy industry in particular, gained from his service as Constellation Energy's Chief Executive Officer, which enables him to effectively identify strategic priorities and oversee the execution of strategic initiatives. His financial expertise from his years of experience in the financial services industry also brings valuable perspectives to the Board.

Corporate finance and capital management experience Risk oversight and risk management experience	CEO/executive management leadership skills	Human resource management and executive compensation knowledge	Industry experience and knowledge of Exelon's business

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Stephen D. Steinour

Age: 59

Director since: 2007

Committee Memberships:

Finance and Risk (Chair)

Audit

Career Highlights

Mr. Steinour is Chairman, President and Chief Executive Officer of Huntington Bancshares Incorporated, a regional bank-holding company delivering a full suite of commercial and retail banking, investment management, and insurance services across the Midwest. Mr. Steinour joined Huntington in 2009 from CrossHarbor Capital (investment firm) where he served as Managing Partner. Previously, he served as President and CEO of Citizens Financial Group (commercial bank holding company), as Division Executive for Fleet Financial Group (asset management company), and as Executive Vice President at Bank of New England.

Board Service

Since 2014, Mr. Steinour has served as a director of L Brands, Inc. (fashion retailer). Mr. Steinour also serves on the board of directors of the Federal Reserve Bank of Cleveland and is a trustee of The Ohio State University Wexner Medical Center. He is a member of the Financial Services Roundtable and The Columbus Partnership. He is vice chair of the Columbus Downtown Development Corporation and is a member of the Ohio Business Roundtable.

In connection with the nomination of Mr. Steinour, the Corporate Governance Committee considered his consistently demonstrated preparedness, engagement, and attention to Exelon Board stewardship and his vigorous leadership of the Finance and Risk Committee.

Primary Skills, Core Competencies and Attributes

Mr. Steinour's experience leading Huntington Bancshares provides him with a strong background in mergers and acquisitions, including post-merger integration and conversions, business development, creation, and partnerships. His deep banking experience provides market experience important to Exelon Generation and the utility businesses and his experience in credit and risk management, credit and capital markets, enhances his value to the Exelon Board and its Finance and Risk and Audit Committees. Mr. Steinour's educational achievements in the Executive Program in Leadership at Stanford University's Graduate School of Business and economics also provide informed insights. Mr. Steinour was named to the 2016 "Directorship 100" list issued by the National Association of Corporate Directors.

Accounting and financial reporting experience Investor relations and investment management experience	Corporate finance and capital management experience	CEO/executive management leadership skills	Risk oversight and risk management experience

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Director Independence

The Board has determined that all non-employee Directors who served on the Board in 2017 and all nominees for election, except for Mr. Crane, are independent according to applicable law and the listing standards of the New York Stock Exchange (NYSE), as incorporated into the Independence Standards for Directors found in Exelon's Corporate Governance Principles. The Board has also determined that the members of the Audit, Compensation and Leadership Development, and Corporate Governance Committees are independent within the meaning of applicable laws, the listing standards of the NYSE, and the Independence Standards for Directors. Mr. Crane is not considered independent because of his employment as President and Chief Executive Officer of Exelon.

Pursuant to Exelon's related person transactions policy, the Board also takes into account information provided by Directors about business and familial-based relationships with Exelon including other boards on which they may serve and charitable, civic, cultural and professional affiliations. Under the policy, all transactions and relationships are evaluated by Exelon's Office of Corporate Governance, and information is presented to the Corporate Governance Committee and Board for a determination of the materiality of such relationships on independence and for the approval of any related person transactions identified. Details related to all transactions reviewed are provided in the chart below.

When assessing the independence of Director nominees, the Corporate Governance Committee takes into account the impact that tenure may have on the independence of certain longer-tenured incumbent Board nominees. The Board places a high value on the perspectives and contributions that our longer serving Directors provide to Board discussions, having served Exelon during various industry developments and with different management teams over the years. The Board determined that the independence of the longer-tenured Directors has not been diminished by their years of service on the Board. Exelon's longer-tenured Directors continue to thoughtfully challenge management and provide reasoned, balanced, and insightful guidance to senior management and the Board and its decisions.

In January 2018, the Board amended the Corporate Governance Principles and, as part of the amendments, determined that certain categories of relationships do not affect a Director's independence. These Categorical Standards of Independence are set forth in Appendix A-4. The amended Corporate Governance Principles and Categorical Standards of Independence were not applied to the independence determinations made in January 2018, but will be applied in future determinations.

Director	Summary of Relationship
Anthony K. Anderson	Mr. Anderson serves as a director of Avery Dennison, a public company, which purchased power and gas in 2017 from Exelon subsidiary Constellation Energy, based on a competitively bid process.
Ann C. Berzin	Ms. Berzin serves as a director of Ingersoll Rand plc, a public company that provided equipment and services to Exelon Generation. In 2017, Exelon paid Ingersoll Rand approximately $574,000. In addition, Ingersoll Rand purchased power in 2017 from Exelon subsidiary, Constellation Energy, based on a competitively bid process.
Nicholas DeBenedictis	Mr. DeBenedictis serves as the Chairman Emeritus of Aqua America, a public water utility company that supplied water in 2017 to PECO, an Exelon subsidiary, under tariffed utility rates. Aqua America is also a customer of Exelon subsidiaries, PECO, ComEd, and Constellation Energy for which it paid approximately $14.1 million for power and gas at tariffed rates or through a competitively bid process in 2017. Mr. DeBenedictis serves as a director of Independence Blue Cross, a not-for-profit company that received approximately $51.8 million from Exelon in 2017 for health care coverage for Exelon employees. The transaction was the result of a competitively bid process. Mr. DeBenedictis serves as a director of MISTRAS Group, a public company which provides asset protection solutions. Exelon paid that company approximately $1.85 million in 2017. The transaction was the result of a competitively bid process. Mr. DeBenedictis serves on the advisory board of Pennoni Associates, Inc., a company which provides engineering consulting services for which Exelon paid approximately $5.3 million in 2017 at arms-length terms. Mr. DeBenedictis serves as a director of P.H. Glatfelter, a public manufacturing company to which Exelon paid $818,000 for Renewable Energy Credits in 2017. The transaction was effected through the use of a blind auction process. Mr. DeBenedictis also serves on the advisory board of PNC Bank, a company that provides financial services and participates in some Exelon credit facilities at arms-length terms for which Exelon paid $7.2 million in 2017.

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Board and Corporate Governance Matters

Director	Summary of Relationship
Nancy L. Gioia	Ms. Gioia serves as a director of Meggitt, PLC, an aerospace manufacturer listed on the London Stock Exchange that received approximately $715,000 from Exelon in 2017 for consulting services. The transactions were the result of a competitively bid process.
Linda P. Jojo	Ms. Jojo is an employee of United Continental Holdings, a public company and commercial airline. In 2017, Exelon paid United approximately $5.7 million for regularly occurring employee travel at established market rates.
Richard W. Mies	Admiral Mies serves as a director of BWX Technologies, a public company that provides nuclear operations and technical services to Exelon Generation for which Exelon paid approximately $3 million in 2017. The transactions were the result of a competitively bid process. Admiral Mies also serves as a consultant to LEIDOS, a public company to which Exelon paid approximately $3.2 million in 2017 for consulting services, amounting to less than 2% of LEIDOS's consolidated gross revenues for 2017.
John W. Rogers, Jr.	Mr. Rogers serves as a director of McDonald's Corporation, a public company which purchased utility services at tariffed rates from Exelon's utility subsidiaries, and power and gas from Constellation Energy as the result of a competitive bid process in 2017.
Mayo A. Shattuck III	Mr. Shattuck serves as a director of Gap Inc., a public company which purchased power and gas from Constellation Energy, an Exelon subsidiary in 2017. The transactions were the result of a competitively bid process.
Stephen D. Steinour	Mr. Steinour is the Chairman, President and CEO of Huntington Bancshares, a public company which is a part of a syndicate of banks that participate in Exelon's credit facilities on similar terms. In 2017, Exelon paid Huntington Bancshares approximately $97,000 in fees.

Related Person Transactions

As referenced above, Exelon has a written policy for the review and approval or ratification of related person transactions. Transactions covered by the policy include commercial transactions for goods and services and the purchase of electricity or gas at non-tariffed rates from Exelon or any of its subsidiaries by an entity affiliated with a Director or officer of Exelon. The retail purchase of electricity or gas from Atlantic City Electric Company (ACE), Baltimore Gas and Electric Company (BGE), Commonwealth Edison Company (ComEd), Delmarva Power and Light Company (DPL), PECO Energy Company (PECO), or Potomac Electric Power Company (Pepco) at rates set by tariff, and transactions between or among Exelon or its subsidiaries are not considered. Charitable contributions approved in accordance with Exelon's Charitable Contribution Guidelines are deemed approved or ratified under the related persons transaction policy and do not require separate consideration and ratification.

As required by the policy, the Board reviewed all commercial, charitable, civic and other relationships with Exelon in 2017 that were disclosed by Directors and executive officers of Exelon, ACE, BGE, ComEd, DPL, PECO and Pepco, and by executive officers of Exelon Generation that required separate consideration and ratification. Exelon's Office of Corporate Governance conducted due diligence on each of these transactions to determine the specific circumstances of the particular transaction, including whether it was competitively bid or whether the consideration paid was based on tariffed rates.

The Corporate Governance Committee and the Board reviewed the analysis prepared by the Office of Corporate Governance, which identified those transactions that required approval or ratification under the policy, or disclosure under U.S. Securities and Exchange Commission (SEC) rules. The Committee recommended the Board's ratification of all transactions because the related person served only as a director of the affiliated company, was not an officer or employee of the affiliated company and did not have a pecuniary or material interest in the transaction. For some transactions, the value or cost of the transaction was very small, and the Board considered the de minimis nature of the transaction as a further reason for ratifying it. The Board ratified other transactions that were the result of a competitive bidding process and therefore were considered fairly priced, or arms-length, regardless of any relationship. The remaining transactions were approved by the Board, even though the Director is an executive officer of the affiliated company, because the transactions involved only retail electricity or gas purchases under tariffed rates, the price and terms were determined to be the result of a competitive bidding process, or were provided at market terms generally available.

None of the transactions reviewed were determined to be material related person transactions requiring disclosure under SEC rules.

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Board and Corporate Governance Matters

The Board's Role and Responsibilities

Overview

Exelon's business, property and affairs are managed under the direction of the Board of Directors. All Directors stand for election by shareholders annually and must receive a majority of the votes cast in uncontested elections. The Board considers the interests of all of its constituencies, which include shareholders, customers, employees, annuitants, suppliers, the communities we serve, and the environment. The Board is committed to ensuring that Exelon conducts business in accordance with the highest standards of ethics, integrity, and transparency.

Board Oversight of Risk

The Company operates in a complex market and regulatory environment that involves significant risks, many of which are beyond its direct control. The Company has an Enterprise Risk Management group consisting of a Chief Enterprise Risk Officer, a Chief Commercial Risk Officer, a Chief Credit Officer, a Vice President of Enterprise Risk Management Operations, a Vice President of Enterprise Risk Management Analytics and a full-time staff of 124. The Enterprise Risk Management group draws upon other Company personnel for additional support on various matters related to identification, assessment, management, mitigation and monitoring through established key risk indicators of enterprise risks.

The Company also has a Risk Management Committee comprising select senior officers of the Company who meet regularly to discuss matters related to enterprise risk management generally and particular risks associated with new developments or proposed transactions under consideration.

The Chief Enterprise Risk Officer and the Risk Management Committee regularly meet with management of the Company to identify and evaluate the most significant risks of the businesses and appropriate steps to manage and mitigate those risks. In addition, the Chief Enterprise Risk Officer and the Enterprise Risk Management group perform a regular assessment of enterprise risks, drawing upon resources throughout the Company for an assessment of the probability and severity of identified risks as well as control effectiveness. These risk assessments, which also include the review of operating company-specific key risk indicators, are discussed at operating company risk management committees before being aggregated and discussed with the Board's Finance and Risk Committee and Audit Committee and, when appropriate, the BGE, ComEd, PECO and PHI boards of directors.

The Finance and Risk, Audit, and Generation Oversight Committees regularly report on the Committees' discussions of enterprise risks to the Board. Furthermore, the Board regularly discusses enterprise risks in connection with consideration of emerging trends or developments and in connection with the evaluation of capital investments and other business opportunities and business strategies.

Environmental, Social and Governance Oversight

Exelon's strategy to grow and diversify the Company through targeted investments in our core markets and promising technologies with the potential to reshape the energy landscape include efforts to power a cleaner, brighter future for our customers and communities. We are committed to building the next-generation energy company and applying innovative technologies to manage energy use and meet customer expectations for clean, reliable and affordable power. The Corporate Governance Committee oversees the Company's strategies and efforts to protect and improve the quality of the environment, sustainability policies and practices.

Director Attendance at Meetings of the Board of Directors and Shareholder Meetings

Attendance

The Board of Directors held five meetings during 2017, including a two-day strategy retreat with senior officers of Exelon and its subsidiary companies. Each incumbent Director nominee attended at least 75% of the combined Board and Committee meetings of which he or she was a member. Attendance at Board and Committee meetings during 2017 averaged 96.84% for incumbent Directors as a group.

While Exelon does not have a formal policy requiring attendance at the annual shareholders meeting, all Directors attended the 2017 annual shareholders meeting.

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Board Structure

Board Leadership

Exelon's bylaws permit the independent members of the Board to determine the leadership structure of the Board including whether the roles of Board Chair and Chief Executive Officer should be performed by the same individual or whether the roles should be performed by separate individuals. As a matter of policy, the Board believes that separation of these functions is not required, and whether to combine the roles or not is a matter for the Board's sole discretion, taking into consideration the current and anticipated circumstances of the Company, the skills and experiences of the individual or individuals in question, and the leadership composition of the Board. The Board reviews its leadership structure periodically and as circumstances warrant. The Board separated the roles of Board Chair and Chief Executive Officer in 2012 upon the completion of its merger with Constellation Energy Group and named Mayo Shattuck as Board Chair and Christopher Crane as President and Chief Executive Officer of Exelon. We find that this leadership structure ensures independent oversight and promotes the Board's ability to effectively represent the best interests of all shareholders.

Because the Board is committed to continued independent oversight at all times, the Corporate Governance Principles provide that the independent members of the Board shall select and elect a Lead Independent Director in the event the Board Chair and Chief Executive role are held by the same individual or the person holding the role of Board Chair is not independent under Exelon's Independence Standards for Directors. At any time during which the position of Lead Independent Director may be required but is vacant due to timing considerations, the Chair of the Corporate Governance Committee shall serve as the Lead Independent Director.

Exelon's Corporate Governance Principles provide a full outline of the responsibilities for each of the Board Chair, Chief Executive Officer, and any Lead Independent Director.

Board Committees

In 2017, six standing Committees assisted the Board in carrying out its duties: the Audit Committee, the Compensation and Leadership Development Committee, the Corporate Governance Committee, the Finance and Risk Committee, the Generation Oversight Committee and the Investment Oversight Committee. The Board Chair and CEO may attend all Committee meetings. All Committees meet regularly in executive session without management.

Committee membership and principal responsibilities for each Committee is described below:

	Audit	**Compensation and Leadership Development**	**Corporate Governance**	**Finance and Risk**	**Generation Oversight**	**Investment Oversight**
Anderson	**C**					
Berzin						
Crane						
de Balmann		**C**				
DeBenedictis						
Gioia				(1)	(1)	
Jojo						
Joskow						
Lawless			**C**			
Mies					**C**	
Rogers				(2)		**C**
Shattuck						
Steinour				**C**		
Meetings in 2017	**6**	**5**	**4**	**4**	**4**	**2**

C Chair
Member

Notes:
(1) Ms. Gioia will serve on the Finance and Risk and Generation Oversight Committees through the end of her tenure.
(2) Mr. Rogers served on the Finance and Risk Committee until April 2017.

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Each Committee is governed by a Board-approved charter stating its responsibilities. Each charter is reviewed annually and updated, as appropriate, to address changes in regulatory requirements, authoritative guidance, evolving oversight practices and investor feedback. The charters were last amended on January 30, 2018, and are available on the Exelon website at www.exeloncorp.com on the Governance page under the Investors tab. The charters are available in print to any shareholder who requests a copy from Exelon's Corporate Secretary as described on page 80 of this proxy statement.

Audit Committee

Meetings in 2017: 6

Independence: The Audit Committee is composed entirely of independent Directors.

Report: Pages 42-43

Primary Responsibilities:

The Audit Committee's primary responsibility is to assist the Board of Directors in fulfilling its responsibility to oversee and review the quality and integrity of the Company's financial statements and internal controls over financial reporting, the independent auditor's qualifications and independence, and the performance of the Company's internal audit function and of its independent auditor.

The Board of Directors has determined that each of the members of the Audit Committee is an "Audit Committee Financial Expert" for purposes of the SEC's rules.

The Audit Committee's principal duties include:

- Having sole authority to appoint, retain, or replace the independent auditor, subject to shareholder ratification, and to oversee the independence, compensation and performance of the independent auditor;
- Reviewing financial reporting and accounting policies and practices;
- Overseeing the work of the internal auditor and reviewing internal controls;
- With the advice and assistance of the Finance and Risk Committee, reviewing in a general manner the processes by which Exelon assesses and manages enterprise risk; and
- Reviewing policies and procedures with respect to internal audits of officers' and Directors' expenses, compliance with Exelon's Code of Business Conduct, and the receipt and response to complaints regarding accounting, internal controls or auditing matters.

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Compensation and Leadership Development Committee

Meetings in 2017: 5

Independence: The Compensation and Leadership Development Committee is composed entirely of independent Directors.

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Primary Responsibilities:

The primary responsibilities of the Committee are to:

- Assist the Board in the establishment of performance criteria, evaluation, and compensation setting for the CEO;
- Approve the compensation program design and plans for the compensation of all executive officers of Exelon, other than the CEO;
- Review and discuss with management Compensation Discussion and Analysis (CD&A) for inclusion in the Company's annual proxy statement and determine whether to recommend to the Board the inclusion of CD&A in the annual proxy statement;
- Prepare or cause to be prepared the Compensation Committee Report for inclusion in the annual proxy statement; and
- Develop leadership and succession planning policies and criteria for the Company.

The Compensation and Leadership Development Committee is responsible for setting the Company's general policy regarding executive compensation to ensure that compensation levels and performance targets for Exelon and its subsidiaries are consistent with Exelon's compensation philosophy and aligns with its strategic and operating objectives.

The Committee is careful to set goals that are sufficiently difficult to meaningfully incent management performance. In setting the goals, the Committee takes into account input from the Company's executive officers.

The Committee develops recommendations for the CEO's compensation and collaborates with the Board Chair and Corporate Governance Committee to determine the CEO's compensation in light of the performance achieved against criteria established by the Board. The Chairs of the Corporate Governance and Compensation and Leadership Development Committees sit on each other's Committees, which is helpful in the process for evaluating the performance and setting the compensation for the CEO.

The Compensation and Leadership Development Committee has delegated authority to the CEO to make off-cycle equity awards to eligible employees of up to 600,000 shares in the aggregate, and 20,000 shares per recipient in any year. Eligible employees include those below the level of Executive Vice President of Exelon and who are not subject to reporting obligations under Section 16 of the Securities Exchange Act of 1934, or were subject to the limitations of Internal Revenue Code Section 162(m) prior to the Tax Cuts and Jobs Act of 2017. Any awards made under this delegated authority are reviewed and ratified by the Compensation and Leadership Development Committee.

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Compensation Consultant

The Compensation and Leadership Development Committee is authorized to retain and terminate, without Board or management approval, the services of an independent compensation consultant to provide advice and assistance, as the Committee deems appropriate. The Committee has sole authority to approve the consultant's fees and other retention terms, and reviews the independence of the consultant and any other services that the consultant or the consultant's firm may provide to the Company. The compensation consultant reports directly to the Committee.

The Committee first engaged Meridian Compensation Partners, LLC (Meridian) in 2016 as its consultant after conducting a request for proposal process. In reviewing the engagement in 2017, the Committee considered the following factors and determined that Meridian continued to be an independent consultant and had no conflicts of interest:

- Meridian performed no other services for the Company or its affiliates and received no other fees from the Company other than for executive compensation consulting for the Committee and Director compensation consulting for the Corporate Governance Committee;
- The amount of fees paid by the Company to Meridian in 2017 was less than 1% of Meridian's gross annual revenues;
- Meridian has formal written policies designed to prevent conflicts of interest, including an insider trading and stock ownership policy; and
- There were no relationships between Meridian and its consultants and Exelon and its officers, Directors or affiliates.

As part of its ongoing services to the Committee, Meridian supports the Committee in executing its duties and responsibilities with respect to Exelon's executive compensation programs by providing information and advice regarding market trends and competitive compensation programs and strategies that include:

- Market data for each senior executive position, including evaluating Exelon's compensation strategy and reviewing and confirming the peer group used to prepare the market data;
- An independent assessment of management recommendations for changes in the compensation structure;
- Assisting management to ensure that the Company's executive compensation programs are designed and administered consistent with the Committee's requirements; and
- Ad hoc support, including executive compensation and related corporate governance trends.

Meridian attends meetings of the Committee when requested. The Committee may directly or indirectly request Meridian to advise on other executive and non-executive compensation-related projects. The Committee has established a process for determining whether any significant additional services will be needed and whether a separate engagement for such services is necessary.

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Corporate Governance Committee

Meetings in 2017: 4

Independence: The Corporate Governance Committee is composed entirely of independent Directors.

Primary Responsibilities:

In addition to its responsibilities described elsewhere in this proxy statement, the Corporate Governance Committee's principal responsibilities include:

- Identifying individuals qualified to become Board candidates;
- Recommending Board approval of Director nominees for election at the annual meeting of shareholders;
- Developing and recommend to the Board a set of governance guidelines applicable to the Company; and
- Overseeing the evaluation processes for the Board, Committees, each Director, and the CEO.

The Committee is responsible for taking a leadership role in shaping the corporate governance practices of Exelon including amongst other things:

- Board and Committee structure and composition issues;
- Performance criteria and evaluations of the CEO and Board Chair if employed by the Company;
- Oversight of Exelon's environmental strategies, including climate change and sustainability policies;
- Delegations of authority for Exelon and its subsidiaries;
- Oversight of Exelon's efforts to promote diversity among its contractors and suppliers; and
- Recommendations with respect to Director compensation.

The Committee utilizes an independent compensation consultant to assist it in its evaluation and recommendations to the Board with respect to Director compensation. The Chairs of the Corporate Governance and Compensation and Leadership Development Committees sit on each other's Committees which is helpful in the process for evaluating the performance and setting the compensation for the CEO. The Corporate Governance Committee may utilize other consultants, such as specialized search firms, to identify candidates for Director.

As part of the Corporate Governance Committee's role in monitoring and oversight of CEO succession planning, the Committee developed an emergency CEO succession plan, which is reviewed by the Committee and the full Board annually. In addition, CEO succession is a topic on the agenda for meetings of the full Board at least twice each year.

Finance and Risk Committee

Meetings in 2017: 4

Primary Responsibilities:

The Finance and Risk Committee's purpose and responsibilities include:

- Overseeing the Company's risk management functions;
- Overseeing matters relating to the financial condition and risk exposures by Exelon;
- Monitoring the financial condition, capital structure, financing plans and programs, dividend policy, treasury policies and liquidity and related financial risk at Exelon and its major subsidiaries;
- Overseeing or appraising of the capital management and planning process, including capital investments, acquisitions and divestitures;
- Overseeing Company-wide risk management strategy, policies, procedures, and mitigation efforts, including insurance programs;
- Overseeing the strategy and performance of risk management policies relating to risks associated with marketing and trading of energy and energy-related products; and
- Reviewing and approving risk policies relating to power marketing, hedging and the use of derivatives.

The Finance and Risk Committee includes members with experience in the economics of energy, nuclear operations, banking and investment management and security, reflecting experience in dealing with the range of risks that the Company faces.

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Generation Oversight Committee

Meetings in 2017: 4

Primary Responsibilities:

The Generation Oversight Committee's purpose and responsibilities include:

- Advising and assisting the full Board in fulfilling its responsibilities to oversee the safe and reliable operation of all generating facilities owned or operated by Exelon or its subsidiaries with principal focus on nuclear safety and, including those facilities in which Exelon has significant equity or operational interests;
- Overseeing the management and operation of the Company's generating facilities and the overall organizational effectiveness (both corporate and stations) of the generation operations;
- Overseeing the establishment of and compliance with policies and procedures to manage and mitigate risks associated with the security and integrity of Exelon's generation assets; and
- Reviewing environmental, health and safety issues related to the Company's generating facilities.

Investment Oversight Committee

Meetings in 2017: 2

Primary Responsibilities:

The purpose and responsibilities of the Investment Oversight Committee include:

- Overseeing the management and investment of the assets held in trusts established or maintained by the Company or any subsidiary for the purpose of funding the expense of decommissioning nuclear facilities;
- Monitoring the performance of the nuclear decommissioning trusts and the trustees, investment managers and other advisors and service providers for the trusts;
- Overseeing the evaluation, selection and retention of investment advisory and management, consulting, accounting, financial, clerical or other services with respect to the nuclear decommissioning trusts;
- Overseeing the evaluation, selection and appointment of trustees and other fiduciaries for the nuclear decommissioning trusts;
- Overseeing the administration of the nuclear decommissioning trusts; and
- Monitoring and receiving periodic reports concerning the investment performance of the trusts under the pension and post-retirement welfare plans and the investment options under the savings plans.

The Investment Oversight Committee also provides general oversight of Exelon's investment management functions. The Committee includes members with experience in investment management, investment banking and the economics of energy and serves as a resource and advisory panel for Exelon's investment management team and the Board.

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Board Processes and Policies

Board, Committee, and Individual Director Evaluations

Exelon has strong evaluation processes for its Board, six Board Committees, and individual Directors.

Board Evaluations

The Board conducts an annual assessment of its performance and effectiveness. The process is coordinated by the Board Chair and the chair of the Corporate Governance Committee taking into account the recommendations of the Corporate Governance Committee on the process and criteria to be used for Board, Committee, and individual Director evaluations. All Directors are interviewed by the Board Chair or the chair of the Corporate Governance Committee to discuss the following topics, among others that may arise:

- overall Board performance and areas of focus including strategic and business issues, challenges, and opportunities;
- Board meeting logistics;
- CEO, senior management and Director succession planning;
- accountability to shareholder views;
- Board Committee structure and composition;
- Board culture;
- Board composition; and
- management performance, including quality of materials, provided to the Directors.

Interviews also seek practical input on what the Board should continue doing, start doing, and stop doing. Following such interviews, the Board Chair and Chair of the Corporate Governance Committee collaborate to prepare and provide a summary of the assessment input provided and discussed with the Board.

Committee Evaluations

All six of the Board's Committees conduct annual assessments of their performance and take into consideration:

- the sufficiency of their charters;
- whether Committee members possess the right skills and experiences or whether additional education or training is required;
- whether there are sufficient meetings covering the right topics; and
- whether meeting materials are effective, among other matters.

A summary of all Committee assessment results is provided to the Corporate Governance Committee and Board for review and discussion.

Individual Director Evaluations

Individual Directors are assessed regularly taking into consideration experience, tenure, qualifications, and core competencies as well as contributions and performance. The process for individual Director performance assessments was recently strengthened to include peer and senior management input on the contributions and performance of six of the current twelve independent Directors, with the remaining six Directors undergoing such assessment next year. The Board was divided into two groups taking into account tenure and other diversity considerations to effectively and thoughtfully execute such assessments. All Directors were interviewed to provide input on each of the six Directors and four members of senior management also provided input, based on their regular interactions with Board members. Interviews were conducted by the chair of the Corporate Governance Committee in 2018, as the Board Chair volunteered to undergo assessment in 2018. Topics covered in the interviews included:

- meeting preparedness;
- meaningful and constructive participation and contributions;
- respectful, effective and candid communication skills;
- demonstrated independence;
- Company and industry knowledge;
- strategic foresight; and
- openness to new learnings and training.

Interviews also sought practical input on what Directors should continue doing, start doing, and stop doing. After discussing with the Corporate Governance Committee, the Chair of the Corporate Governance Committee collaborates with the Board Chair and feedback is conveyed separately to the individual Directors assessed for developmental opportunities.

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Director Education

The Board has an orientation and onboarding program for new Directors and provides continuing education for all Directors that is overseen by the Corporate Governance Committee.

New Director Orientation	The orientation program is tailored to the needs of each new Director depending on his or her level of experience serving on other boards and knowledge of the Company or industry acquired before joining the Board. Materials provided to new Directors include information on the Company's vision, strategic direction, financial matters, corporate governance practices, Code of Business Conduct, and other key policies and practices. New Directors also meet with the CEO, senior executives and members of their staff for briefings on the executives' responsibilities, programs and challenges. New Directors are also invited for tours of various Company facilities, depending on their orientation needs. Incumbent Directors are also invited to participate in site visits.
Continuing Director Education	Continuing director education is provided during portions of Board and Committee meetings and is focused on topics necessary to enable the Board to consider effectively issues before them at that time (such as new regulatory or accounting standards). The education often takes the form of "white papers," covering timely subjects or topics, which a Director can review before the meeting and ask questions about during the meeting. The Audit Committee devotes a meeting each year to educating the Committee members about new accounting rules and standards, and topics that are necessary to having a good understanding of our accounting practices and financial statements. The Generation Oversight Committee uses site visits as a regular part of education for its members by holding each of its meetings at a different generating station (nuclear, fossil or hydro). Each Generation Oversight Committee meeting agenda includes a briefing by local plant management, a tour of the facility, and lunch with plant personnel.
Director Education Seminars	Continuing director education also involves individual Directors' attendance at education seminars and programs sponsored by other organizations. The Company covers the cost for any Director who wishes to attend external programs and seminars on topics relevant to their service as Directors.

Corporate Governance Principles

Our Corporate Governance Principles, together with the articles of incorporation, bylaws, Committee charters, and other policies and practices, provide the framework for the effective governance of Exelon. The Corporate Governance Principles address matters including the Board's responsibilities and role; Board structure, Director selection, evaluation, and other expectations; Board operations; Board Committees; and additional matters such as succession planning, executive stock ownership requirements, and our recoupment policy. The Corporate Governance Principles are reviewed periodically and were last amended in January 2018 to reflect evolving governance trends and to remain contemporary with the needs of the Company and its stakeholders.

Process for Communicating with the Board

Shareholders and other interested persons can communicate with any Director or the independent Directors as a group by writing to them, c/o Thomas S. O'Neill, Senior Vice President, General Counsel and Corporate Secretary, Exelon Corporation, 10 South Dearborn Street, P.O. Box 805398, Chicago, Illinois 60680-5398. The Board has instructed the Corporate Secretary to review communications initially and transmit a summary to the Directors and to exclude from transmittal any communications that are commercial advertisements, other forms of solicitation, general shareholder service matters or individual service or billing complaints. Under the Board policy, the Corporate Secretary will forward to the Directors any communication raising substantial issues. All communications are available to the Directors upon request. Shareholders may also report an ethics concern with the Exelon Ethics Hotline by calling 1-800-23-Ethic (1-800-233-8442). You may also report an ethics concern via email to EthicsOffice@ExelonCorp.com.

Directors' Compensation

Stock Ownership Requirements for Directors

Under Exelon's Corporate Governance Principles, all Directors are required to own, within five years of joining the Board, at least 15,000 shares of Exelon common stock or deferred stock units or shares accrued in the Exelon common stock fund of the Directors' deferred compensation plan.

Compensation of Non-Employee Directors

The Corporate Governance Committee is responsible for reviewing and making recommendations to the Board regarding its non-employee Director compensation program. The Committee is authorized to engage outside advisors and consultants in connection with its review and analysis of Director compensation.

In making Director compensation recommendations, the Corporate Governance Committee takes various factors into consideration, including responsibilities of Directors generally, Board leadership roles such as the Board Chair and Committee Chairs, and the form and amount of compensation paid to Directors at comparable companies.

The Board targets Director compensation to be at the median level of compensation paid at the peer group of companies used to benchmark executive compensation.

For service rendered to the Company in 2017, Exelon's non-employee Directors received the compensation shown in the following table and explained in the accompanying notes.

Name	Annual Board & Committee Retainers $	Stock Awards (Description Below) $	All Other Compensation (Note 1) $	Total Compensation $
Anderson	$ 165,000	$ 145,000	$ —	$ 310,000
Berzin	125,000	145,000	15,000	285,000
de Balmann	145,000	145,000	15,000	305,000
DeBenedictis	145,000	145,000	15,000	305,000
Gioia	145,000	145,000	5,300	295,300
Jojo	125,000	145,000	15,000	285,000
Joskow	125,000	145,000	—	270,000
Lawless	135,000	145,000	—	280,000
Mies	165,000	145,000	19,722	329,722
Rogers	135,000	145,000	15,000	295,000
Shattuck	445,000	145,000	15,000	605,000
Steinour	145,000	145,000	15,000	305,000
Total All Directors	2,000,000	1,740,000	130,022	3,870,022

(1) Values in this column represent gifts made by the Company or the Exelon Foundation as the matching portion of the Director's contributions to qualified not-for-profit organizations pursuant to Exelon's matching gift plan described below in Other Compensation. For Mr. Mies, the amount also includes $4,722, the incremental cost to the Company for travel from an Exelon Board meeting to another professional engagement.

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Board and Corporate Governance Matters

Fees Earned or Paid in Cash

The following table sets forth the components of the cash compensation paid in 2017 to Exelon’s non-employee Directors.

Role	Annual Cash Retainer
Non-Employee Director	$ 125,000
Board Chair	300,000
Chairs of Audit Committee, Compensation and Leadership Development Committee, Finance and Risk Committee and Generation Oversight Committee	20,000
Chairs of Corporate Governance Committee and Investment Oversight Committee	10,000
Generation Oversight Committee Member, including the Chair	20,000

In December 2017, the Corporate Governance Committee reviewed a director compensation study prepared by Meridian at the request of the Committee. The Meridian study indicated that the compensation paid to some Committee chairs should be adjusted to reflect the work load and responsibilities associated with the position and was below the median for the peer group. The Meridian study otherwise confirmed that Exelon’s Director compensation and Director stock ownership requirements were appropriately set at about the median level of the peer group. The Committee also determined that the compensation paid to some Committee chairs should be adjusted to reflect the work load and responsibilities associated with the position. The Committee recommended that the compensation payable to the Chairs of the Audit and Finance and Risk Committee should be increased to $25,000 per year, the compensation payable to the Chair of the Corporate Governance Committee should be increased to $20,000 per year, and the compensation payable to the Chair of the Investment Oversight Committee should be increased to $15,000 per year. The Board approved the changes in Committee chair fees to be effective as of January 1, 2018.

No additional compensation is paid for meeting attendance.

Deferred Compensation

Directors may elect to defer any portion of cash compensation described above into a non-qualified multi-fund deferred compensation plan. Under the plan, each Director has an unfunded account where the dollar balance can be invested in one or more of several mutual funds, including one fund composed entirely of Exelon common stock. Fund balances (including amounts invested in the Exelon common stock fund) are settled in cash and may be distributed in a lump sum or in annual installment payments upon a Director reaching age 65, age 72, or upon retirement from the Board. These funds are identical to those that are available to Company employees who participate in the Exelon Employee Savings Plan.

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Fees Paid in Stock Awards

A significant portion of Director compensation is paid in the form of deferred stock units to align the interests of Directors with the interests of shareholders. In 2017, Exelon's non-employee Directors received deferred stock units worth $145,000 that are paid quarterly in arrears. Deferred stock units are credited to a notional account maintained on the books of the Company at the end of each calendar quarter based upon the closing price of Exelon common stock on the day the quarterly dividend is paid. Deferred stock units earn dividend equivalents at the same level and at the same time that dividends are paid on shares of Exelon common stock. Dividend equivalents are reinvested in the deferred stock accounts as additional stock units. Deferred stock units are paid out to the Directors upon the end of Board service, when they are settled in shares of Exelon common stock, leaving these amounts at risk during the Director's entire tenure on the Board.

As of December 31, 2017, the non-employee Directors held the following amounts of deferred Exelon common stock units.

Name	Total Deferred Stock Units (Note 1) (#)
Anderson	17,982
Berzin	49,116
de Balmann	59,745
DeBenedictis	40,929
Gioia	7,237
Jojo	8,810
Joskow	33,985
Lawless	63,967
Mies	30,945
Rogers	56,454
Shattuck	17,693
Steinour	34,367
Total All Directors	**421,230**

(1) Total deferred stock units includes deferred stock units from the current Exelon deferred stock unit plan and stock units deferred from the equivalent plans for Unicom Corporation and Constellation Energy Group, Inc. for Exelon Directors who previously served as Directors of those predecessor companies.

Other Compensation

Exelon Directors may bring spouses or guests to Exelon or industry related events where it is customary and expected. Exelon pays the cost of spousal or guest travel, meals, lodging and related activities when invited to attend such events. The value of this spousal or guest related travel is calculated according to IRS regulations and imputed to the Director as additional taxable income. Directors also receive reimbursement to cover the additional taxes owed on such imputed income. However, in most cases there is no direct incremental cost to Exelon of providing transportation and lodging for a Director's spouse or guest when he or she accompanies the Director, and the only additional costs to Exelon are those for meals and activities and to reimburse the Director for the taxes on the imputed income. In 2017, there were no incremental costs to the Company for such perquisites.

Exelon and the Exelon Foundation have a matching gift program available to Directors, officers and employees that matches contributions to eligible not-for-profit organizations up to $15,000 per year for Directors, $10,000 per year for executives and up to $5,000 per year for other employees.

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Audit Committee Matters

Proposal 2: Ratification of PricewaterhouseCoopers LLP as Exelon’s Independent Auditor for 2018

The Audit Committee and the Board of Directors have concluded that retaining PricewaterhouseCoopers LLP (PwC) is in the best interests of the Company and its shareholders based on consideration of the factors set forth in the Report of the Audit Committee on pages 42-43 of this proxy statement. Representatives of PwC will attend the annual meeting to answer questions and will have the opportunity to make a statement.

The Board recommends a vote “FOR” the ratification of PricewaterhouseCoopers LLP as Exelon’s Independent Auditor for 2018.

Auditor Fees

The following table presents fees for professional audit services rendered by PwC for the audit of Exelon’s annual financial statements for the years ended December 31, 2017 and 2016, and fees billed for other services rendered by PwC during those periods.

	Year Ended December 31,			
(in thousands)	2017		2016	
Audit fees[1]	$	28,483	$	24,986
Audit related fees[2]		2,207		3,656
Tax fees[3]		1,205		1,943
All other fees[4]		379		836

(1) Audit fees include financial statement audits and reviews under statutory or regulatory requirements and services that generally only the auditor reasonably can provide, including issuance of comfort letters and consents for debt and equity issuances and other attest services required by statute or regulation.

(2) Audit related fees consist of assurance and related services that are traditionally performed by the auditor such as accounting assistance and due diligence in connection with proposed acquisitions or sales, consultations concerning financial accounting and reporting standards and audits of stand-alone financial statements or other assurance services not required by statute or regulation.

(3) Tax fees consist of tax compliance, tax planning and tax advice and consulting services, including assistance and representation in connection with tax audits and appeals, tax advice related to proposed acquisitions or sales, employee benefit plans and requests for rulings or technical advice from taxing authorities.

(4) All other fees primarily reflect accounting research software license costs.

Pre-approval Policies

The Exelon Audit Committee has a policy for pre-approval of audit and non-audit services. Under this policy, the Audit Committee pre-approves all audit and non-audit services to be provided by the independent auditor taking into account the nature, scope, and projected fees of each service as well any potential implications for auditor independence. The policy specifically sets forth services that the independent auditor is prohibited from performing by applicable law or regulation. Further, the Audit Committee may prohibit other services that in its view may compromise, or appear to compromise, the independence and objectivity of the independent auditor. Predictable and recurring audit and permitted non-audit services are considered for pre-approval by the Audit Committee on an annual basis.

For any services not covered by these initial pre-approvals, the Audit Committee has delegated authority to the Audit Committee Chair to pre-approve any audit or permitted non-audit service with fees in amounts less than $500,000. Services with fees exceeding $500,000 require full Committee pre-approval. The Audit Committee receives quarterly reports on the actual services provided by and fees incurred with the independent auditor. No services were provided pursuant to the de minimis exception to the pre-approval requirements contained in the SEC’s rules.

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Audit Committee Matters

Report of the Audit Committee

The Audit Committee's primary responsibility is to assist the Board of Directors in fulfilling its responsibility to oversee and review the quality and integrity of the Company's financial statements and internal controls over financial reporting, the independent auditor's qualifications and independence, and the performance of the Company's internal audit function and of its independent auditor.

The Audit Committee is composed entirely of independent Directors and satisfies the independence, financial experience and other qualification requirements of the New York Stock Exchange (NYSE) and applicable securities laws and regulations. The Board of Directors has determined that each of the members of the Audit Committee is an "audit committee financial expert" for purposes of the SEC's rules and also that each of the members of the Audit Committee is independent as defined by the rules of the NYSE and Exelon's Corporate Governance Principles.

Under its charter, the Audit Committee's principal duties include:

- Having sole authority to appoint, retain, or replace the independent auditor, subject to shareholder ratification, and to oversee the independence, compensation and performance of the independent auditor;
- Reviewing financial reporting and accounting policies and practices;
- Overseeing the work of the internal auditor and reviewing internal controls;
- With the advice and assistance of the Finance and Risk Committee, reviewing in a general manner the processes by which Exelon assesses and manages enterprise risk; and
- Reviewing policies and procedures with respect to internal audits of officers' and Directors' expenses, compliance with Exelon's Code of Business Conduct, and the receipt and response to complaints regarding accounting, internal controls or auditing matters.

Each member of the Audit Committee also serves on the Finance and Risk Committee. On occasion, the Audit and Finance and Risk Committees meet jointly to review areas of mutual interest between the two Committees.

The Audit Committee meets outside the presence of management for portions of its meetings to hold separate discussions with the independent auditor, the internal auditors, and the General Counsel.

The Audit Committee met six times in 2017, fulfilling its duties and responsibilities as outlined in its charter, as well as receiving periodic updates on the Company's financial performance and strategic initiatives, as well as other matters germane to its responsibilities.

Management has primary responsibility for preparing the Company's financial statements and establishing effective internal controls over financial reporting. PricewaterhouseCoopers LLP (PwC), the Company's independent auditor, is responsible for auditing those financial statements and expressing an opinion on the conformity of the Company's audited financial statements with generally accepted accounting principles and on the effectiveness of the Company's internal controls over financial reporting based on criteria established in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission.

In this context, the Audit Committee has reviewed and discussed with management and PwC the Company's audited financial statements contained in the 2017 Annual Report on SEC Form 10-K, including the critical accounting policies applied by the Company in the preparation of these financial statements. The Audit Committee discussed with PwC the requirements of the Public Company Accounting Oversight Board (PCAOB), and had the opportunity to ask PwC questions relating to such matters. These discussions included the quality, and not just the acceptability, of the accounting principles utilized, the reasonableness of significant accounting judgments, and the clarity of disclosures in the financial statements.

At each of its meetings in 2017, the Audit Committee met with the Company's Chief Financial Officer and other senior members of the Company's financial management. The Audit Committee reviewed with PwC and the Company's internal auditor the overall scope and plans for their respective audits in 2017. The Audit Committee also received regular updates from the Company's internal auditor on internal controls and business risks and from the Company's General Counsel on compliance and ethics issues.

The Audit Committee met with the internal auditor and PwC, with and without management present, to discuss their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting. The Audit Committee also met with the Company's General Counsel and Chief Compliance and Ethics Officer, with and without management present, to review and discuss compliance and ethics matters, including compliance with the Company's Code of Business Conduct.

On an ongoing basis, the Audit Committee considers the independence, qualifications, compensation and performance of PwC. Such consideration includes reviewing the written disclosures and the letter provided by PwC in accordance with applicable requirements of the PCAOB regarding PwC's communications with the Audit Committee concerning independence, and discussing with PwC their independence.

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Audit Committee Matters

The Audit Committee is responsible for the approval of audit fees, and the Committee reviewed and pre-approved all fees paid to PwC in 2017. The Audit Committee has adopted a policy for pre-approval of services to be performed by the independent auditor. Further information on this policy and on the fees paid to PwC in 2017 and 2016 can be found in the section of this proxy statement titled "Ratification of PricewaterhouseCoopers LLP as Exelon's Independent Auditor for 2018." The Audit Committee periodically reviews the level of fees approved for payment to PwC and the pre-approved non-audit services PwC has provided to the Company to ensure their compatibility with independence. The Audit Committee also monitors the Company's hiring of former employees of PwC.

The Audit Committee monitors the performance of PwC's lead partner responsible for the audit, oversees the required rotation of PwC's lead audit partner and, through the Audit Committee Chair, reviews and approves the selection of the lead audit partner. In addition, to help ensure auditor independence, the Audit Committee periodically considers whether there should be a rotation of the independent auditor.

PwC has served as the Company's independent auditor since the Company's formation in 2000. As in prior years, the Audit Committee and management engaged in a review of PwC in connection with the Audit Committee's consideration of whether to recommend that shareholders ratify the selection of PwC as the Company's independent auditor for 2018. In that review, the Audit Committee considered both the continued independence of PwC and whether retaining PwC is in the best interests of the Company and its shareholders. In addition to independence, other factors considered by the Audit Committee included:

- PwC's historical and recent overall performance on the audit, including the quality of the Audit Committee's ongoing discussions with PwC;
- PwC's expertise and capability in handling the accounting, internal control, process and system risks and practices present in the Company's utility and energy generation businesses, including relative to the corresponding expertise and capabilities of other audit firms; the quality, quantity and geographic location of PwC staff, and PwC's ability to provide responsive service;
- PwC's tenure as the Company's independent auditor and its familiarity with its operations and businesses, accounting policies and practices, and internal control over financial reporting;
- the significant time commitment required to onboard and educate a new audit firm that could distract management's focus on financial reporting and internal control;
- the appropriateness of PwC's fees, relative to the Company's financial statement risk and the size and complexity of its business and related internal control environment, and compared to fees incurred by peer companies;
- an assessment of PwC's identification of its known significant legal risks and proceedings that may impair PwC's ability to perform the audit; and
- external information on audit quality and performance, including recent PCAOB reports on PwC and its peer firms.

The Audit Committee concluded that PwC is independent from the Company and its management, and has retained PwC as the Company's independent auditor for 2018. The Audit Committee and the Board believe that the continued retention of PwC is in the best interests of the Company and its shareholders and have recommended that shareholders ratify the appointment of PwC as the Company's independent auditor for 2018.

In addition, in reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board, and the Board approved, that the audited financial statements be included in Exelon Corporation's Annual Report on Form 10-K for the year ended December 31, 2017, for filing with the SEC.

THE AUDIT COMMITTEE

Anthony K. Anderson, *Chair*
Ann C. Berzin
Paul L. Joskow
Richard W. Mies
Stephen D. Steinour

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Executive Compensation

Proposal 3: Say-on-Pay: Advisory Vote on Executive Compensation

We provide shareholders with a say-on-pay vote every year at the annual meeting of shareholders. While the vote is non-binding, the Board and Compensation and Leadership Development Committee (referred to as the “Compensation Committee” in the Executive Compensation and Compensation Discussion and Analysis sections) take the results of the vote into consideration when evaluating the executive compensation program. Accordingly, you may vote to approve or not approve the following advisory resolution on the executive compensation of the named executive officers at the 2018 annual meeting:

RESOLVED, that the Company’s shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company’s proxy statement for the 2018 Annual Meeting of Shareholders pursuant to the rules of the SEC, including the Compensation Discussion and Analysis, the 2017 Summary Compensation Table and the other related tables and disclosure.

The Board of Directors recommends a vote FOR this proposal for the following reasons:

Most of compensation is performance-based and contingent on achieving financial and operational results that align the interests of executives with those of the Company’s shareholders based on rigorous goals,

Exelon had strong financial and operational performance in 2017, achieving total shareholder return (TSR) of 15.1% that continued to build on the 2016 TSR of 32.8%.

The Company achieved the adoption of Zero Emission Credits (ZEC) policies in the states of New York and Illinois, thereby helping to safeguard the fair valuation of resilient and emissions-free nuclear power production in those states.

The Company’s compensation framework provides market-aligned pay opportunities that foster the attraction, motivation, engagement and retention of key talent, to drive outstanding Company performance and long-term shareholder value.

We continued to engage with shareholders in 2017. The feedback received was positive and highly supportive of the changes we implemented in 2016 to strengthen our executive compensation program over the past two years. In particular, many investors commented favorably on the demonstrated linkage between pay and performance and the alignment of our incentive compensation goals with the Company’s overall business strategies.

The Board of Directors unanimously recommends a vote “FOR” the approval of the compensation paid to the Company’s named executives, as disclosed in this proxy statement.

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Compensation Discussion & Analysis

"Our Committee strives to design and implement an executive compensation framework that motivates and rewards Exelon executives to achieve superior performance for the benefit of our shareholders and other key stakeholders."

Yves C. de Balmann, Chair, Compensation and Leadership Development Committee

This Compensation Discussion and Analysis (CD&A) discusses Exelon's 2017 executive compensation program. The program covers compensation for our named executive officers (NEOs) listed below:

Exelon's Named Executive Officers

CHRISTOPHER M. CRANE	JONATHAN W. THAYER	WILLIAM A. VON HOENE, JR.	KENNETH W. CORNEW	DENIS P. O'BRIEN
President and Chief Executive Officer, Exelon	Senior EVP and Chief Financial Officer, Exelon	Senior EVP and Chief Strategy Officer, Exelon	Senior EVP and Chief Commercial Officer, Exelon; President and Chief Executive Officer, Exelon Generation	Senior EVP, Exelon; Chief Executive Officer, Exelon Utilities

Executive Summary

Business and Strategy Overview, Value Proposition and Performance Highlights

Business Overview

Exelon is composed of two primary businesses:

1	2			
Regulated Utilities	Electric Generation			
We have regulated operations that consist of six utility subsidiaries, serving approximately 10 million electricity and gas customers, more than any other company in the industry. Our operational performance is top quartile or better across numerous metrics such as the frequency and duration of outages. We have significantly improved the operational performance of PHI since the 2016 acquisition consistent with	07/01/2025		07/01/20 @ 100	2,276,521

our long-term strategy to increase investment in regulated assets for the benefit of our customers.

7,500,000	Vermont State Colleges, Revenue Bonds, Taxable Build America Bonds, Series 2010B(a)(h)	A+	7.21%	07/01/2040	07/01/20 @ 100	8,316,525
						10,593,046
	Washington – 9.8%					
5,000,000	Anacortes, Washington, Utility System Improvement Revenue Bonds, Build America Bonds, Series 2010B(a)(h)	AA-	6.48%	12/01/2030	12/01/20 @ 100	5,331,150
2,000,000	Auburn, Washington, Utility System Revenue Bonds, Taxable Build America Bonds, Series 2010B(a)(h)	AA	6.40%	12/01/2030	12/01/20 @ 100	2,239,680
5,000,000	Central Washington University, System Revenue Bonds, 2010, Taxable Build America Bonds, Series B(a)(h)	A1	6.50%	05/01/2030	N/A	5,417,100
5,800,000	Public Hospital District No. 1, King County, Washington, Valley Medical Center, Hospital Facilities Revenue Bonds, Series 2010B(a)(h)	BBB+	8.00%	06/15/2040	06/15/20 @ 100	6,420,774
5,000,000	Washington State Convention Center Public Facilities District, Lodging Tax Bonds, Taxable Build America Bonds, Series 2010B(a)	A+	6.79%	07/01/2040	N/A	6,039,200
3,325,000	Washington State University, Housing and Dining System Revenue Bonds, Taxable Build America Bonds, Series 2010B(a)(h)	A+	7.10%	04/01/2032	N/A	3,994,256
6,675,000	Washington State University, Housing and Dining System Revenue Bonds, Taxable Build America Bonds, Series 2010B(a)(h)	A+	7.40%	04/01/2041	N/A	8,249,099
						37,691,259
	West Virginia – 3.5%					
10,000,000	State of West Virginia, Higher Education Policy Commission, Revenue Bonds, Federally	A+	7.65%	04/01/2040	N/A	13,317,400

	Taxable Build America Bonds 2010, Series B(a)					
	Total Municipal Bonds – 106.4%					
	(Cost $357,380,824)					406,886,091
	Corporate Bonds – 9.5%					
	Advertising – 0.0%					
150,000	inVentiv Health, Inc.(b)	CCC+	10.00%	08/15/2018	08/15/14 @ 105	142,125
	Airlines – 1.2%					
2,335,090	Atlas Air 2000-1 Class A Pass Through Trust, Series 2000-1, Class A	NR	8.71%	07/02/2021	N/A	2,384,710
19,263	Atlas Air 1999-1 Class A-1 Pass-Through Trust, Series 991A, Class A-1	NR	7.20%	01/02/2019	N/A	17,915
130,540	Atlas Air 99-1 Class A-2 Pass Through Trust, Series 991A, Class A-2	NR	6.88%	04/02/2014	N/A	120,097
2,000,000	Delta Air Lines 2011-1 Pass-Through Trust, Series 1B, Class B(b)	BB	7.13%	10/15/2014	N/A	1,984,040
160,000	Global Aviation Holdings, Inc.	B-	14.00%	08/15/2013	08/15/12 @ 111	136,000
						4,642,762
	Building Materials – 0.4%					
2,000,000	Cemex SAB de CV (Mexico)(b)	B-	9.00%	01/11/2018	01/11/15 @ 105	1,450,000

See notes to financial statements.

GBAB l Guggenheim Build America Bonds Managed Duration Trust l Portfolio of Investments (unaudited) continued

Principal Amount	Description	Rating*	Coupon	Maturity	Optional Call Provisions**	Value
	Commercial Services – 0.8%					
$ 2,200,000	DynCorp International, Inc.	B-	10.38%	07/01/2017	07/01/14 @ 105	$ 1,914,000
1,140,000	NCO Group, Inc.	CCC-	11.88%	11/15/2014	11/15/12 @ 100	1,130,025
						3,044,025
	Computers – 0.5%					
548,000	Compucom Systems, Inc.(b)	B	12.50%	10/01/2015	10/01/12 @ 103	558,960
1,260,000	iGate Corp.(b)	B+	9.00%	05/01/2016	05/01/14 @ 105	1,260,000
100,000	Stream Global Services, Inc.	B+	11.25%	10/01/2014	10/01/12 @ 106	102,000
						1,920,960
	Distribution & Wholesale – 0.2%					
550,000	Baker & Taylor, Inc.(b)	CCC+	11.50%	07/01/2013	07/01/12 @ 100	429,688
175,000	Intcomex, Inc.	B-	13.25%	12/15/2014	12/15/12 @ 107	167,562
						597,250
	Diversified Financial Services – 0.1%					
500,000	McGuire Air Force Base/Fort Dix Privatized Military Housing Project(b)	AA-	5.61%	09/15/2051	N/A	488,610
	Engineering & Construction – 0.7%					
2,222,005	Alion Science and Technology Corp.(c)	B-	12.00%	11/01/2014	04/01/13 @ 105	2,010,915
1,000,000	Alion Science and Technology Corp.	CCC-	10.25%	02/01/2015	02/01/12 @ 103	595,000
						2,605,915
	Entertainment – 1.1%					
1,600,000	Diamond Resorts Corp.	B-	12.00%	08/15/2018	08/15/14 @ 106	1,516,000
1,810,000	Lions Gate Entertainment, Inc.(b)	B-	10.25%	11/01/2016	11/01/13 @ 105	1,805,475
1,000,000	WMG Acquisition Corp.(b)	B-	11.50%	10/01/2018	10/01/14 @ 109	985,000
						4,306,475
	Food – 0.6%					
2,125,000	Bumble Bee Acquisition Corp.(b)	B	9.00%	12/15/2017	12/15/14 @ 105	2,103,750
	Health Care Services – 0.3%					
550,000	Apria Healthcare Group, Inc.	BB+	11.25%	11/01/2014	11/01/12 @ 103	541,750

325,000	OnCure Holdings, Inc.	B	11.75%	05/15/2017	05/15/14 @ 106	281,125
423,503	Symbion, Inc.(c)	CCC+	11.00%	08/23/2015	08/23/12 @ 103	425,621
						1,248,496
	Internet – 1.0%					
4,250,000	GXS Worldwide, Inc.(h)	B	9.75%	06/15/2015	06/15/12 @ 105	3,920,625
	Machinery-Diversified – 0.1%					
250,000	Tempel Steel Co.(b)	B	12.00%	08/15/2016	02/15/14 @ 109	235,000
	Mining – 0.1%					
400,000	Midwest Vanadium Pty Ltd. (Australia)(b)	B-	11.50%	02/15/2018	02/15/15 @ 106	288,000
	Packaging & Containers – 0.6%					
1,950,000	Pregis Corp.	CCC	12.38%	10/15/2013	01/5/12 @ 100	1,813,500
300,000	Pretium Packaging, LLC / Pretium Finance, Inc.(b)	B	11.50%	04/01/2016	04/01/14 @ 106	297,000
						2,110,500
	Real Estate Investment Trusts – 0.2%					
750,000	Wells Operating Partnership II, LP	BBB-	5.88%	04/01/2018	N/A	761,981

See notes to financial statements.

GBAB l Guggenheim Build America Bonds Managed Duration Trust l Portfolio of Investments (unaudited) continued

Principal Amount	Description	Rating*	Coupon	Maturity	Optional Call Provisions**	Value
	Retail – 0.5%					
$ 250,000	CKE Restaurants, Inc.	B-	11.38%	07/15/2018	07/15/14 @ 106	$ 266,250
1,150,000	Liz Claiborne, Inc.(b)	B-	10.50%	04/15/2019	04/15/14 @ 105	1,219,000
475,000	Roadhouse Financing, Inc.	B-	10.75%	10/15/2017	10/15/13 @ 108	470,250
						1,955,500
	Software – 0.1%					
400,000	Lawson Software, Inc.(b)	B-	11.50%	07/15/2018	07/15/15 @ 106	381,000
	Textiles – 0.0%					
150,000	Empire Today, LLC / Empire Today Finance Corp.(b)	B-	11.38%	02/01/2017	02/01/14 @ 106	138,750
	Transportation – 0.5%					
55,965	Atlas Air, Inc.(b)	NR	8.71%	01/02/2019	N/A	57,154
1,450,000	Marquette Transportation Company/Marquette Transportation Finance Corp.	B-	10.88%	01/15/2017	01/15/13 @ 108	1,421,000
600,000	United Maritime Group, LLC/United Maritime Group Finance Corp.	B	11.75%	06/15/2015	12/15/12 @ 106	606,000
						2,084,154
	Trucking & Leasing – 0.5%					
1,808,000	AWAS Aviation Capital Ltd. (Ireland)(b)	BBB-	7.00%	10/15/2016	10/18/13 @ 104	1,808,000
	Total Corporate Bonds – 9.5%					
	(Cost $37,984,717)					36,233,878
	Asset Backed Securities – 7.5%					
	Automobile – 0.0%					
73,581	Bush Truck Leasing, LLC, Series 2011-AA, Class C(b)	NR	5.00%	09/25/2018	N/A	73,393
	Collateralized Debt Obligation – 2.5%					
316,386	Commodore CDO I Ltd., Series 2005-3A, Class A1A (Cayman Islands)(b) (d)	CCC-	0.83%	03/06/2040	N/A	101,243
230,131	Diversified Asset Securitization Holdings II LP, Series 1X, Class A1L (Cayman Islands)(d)	A	0.84%	09/15/2035	N/A	199,664
115,369	G-Star Ltd., Series 2003-A, Class A1 (Cayman Islands)(b) (d)	A+	0.92%	03/13/2038	N/A	107,944
525,560	Independence I CDO Ltd., Series 1A, Class A (Cayman Islands)(b)(d)	BB+	0.76%	12/30/2030	N/A	461,058
8,847,503	Putnam Structured Product, Series 2003-1A, Class A1LB(b) (d)	B	0.70%	10/15/2038	N/A	7,378,110
756,986	Putnam Structured Product CDO, Series 2002-1A, Class A2 (Cayman Islands)(b)(d)	B+	0.93%	01/10/2038	N/A	580,388

121,540	Saturn Ventures Ltd., Series 2003-1A, Class A1 (Cayman Islands)(b)(d)	AA	0.93%	11/03/2038	N/A	111,846
500,000	TIAA Real Estate Ltd., Series 2002-1A, Class III(b) (e)	BBB+	7.60%	05/22/2037	N/A	464,470
						9,404,723
	Collateralized Loan Obligation – 2.5%					
500,000	Alm Loan Funding, Series 2010-3A, Class C(b)(d)	BBB	4.48%	11/20/2020	N/A	436,115
1,000,000	CapitalSource Commercial Loan Trust, Series 2006-2A, Class D(b)(d)	B+	1.77%	09/20/2022	N/A	927,962
2,000,000	Churchill Financial Cayman Ltd., Series 2007-1A, Class C (Cayman Islands)(b)(d)(h)	A+	1.64%	07/10/2019	N/A	1,515,000
1,000,000	Churchill Financial Cayman Ltd., Series 2007-1A, Class D1 (Cayman Islands)(b)(d)	BBB+	2.99%	07/10/2019	N/A	681,650
1,000,000	Churchill Financial Cayman Ltd., Series 2007-1A, Class D2 (Cayman Islands)(b)	BBB+	8.37%	07/10/2019	N/A	929,900
300,000	Cratos CLO Ltd., Series 2007-1A, Class C (Cayman Islands)(b)(d)	AA-	1.58%	05/19/2021	N/A	222,978
500,000	DFR Middle Market CLO Ltd., Series 2007-1A, Class C(b) (d)	A	2.71%	07/20/2019	N/A	440,570
550,000	Eastland CLO Ltd., Series 2007-1A, Class A2B(b)(d)	A+	0.76%	05/01/2022	N/A	397,452
250,000	Emporia Preferred Funding (Cayman Islands)(b)(d)	A-	1.34%	10/12/2018	N/A	180,098
250,000	Genesis CLO Ltd., Series 2007-2A, Class D (Cayman Islands)(b) (d)	BBB	4.39%	01/10/2016	N/A	223,050
200,000	Katonah Ltd., Series 2006-9A, Class A3L (Cayman Islands)(b)(d)	BBB+	1.14%	01/25/2019	N/A	138,692

See notes to financial statements.

GBAB l Guggenheim Build America Bonds Managed Duration Trust l Portfolio of Investments (unaudited) continued

Principal Amount	Description	Rating*	Coupon	Maturity	Optional Call Provisions**	Value
	Collateralized Loan Obligation (continued)					
$ 1,992,806	Newstar Trust, Series 2005-1A, Class C(b)(d)	B+	1.27%	07/25/2018	N/A	$ 1,763,633
514,262	Sargas CLO II Ltd., Series 2006-1A, Class E (Cayman Islands)(b) (d)	B+	4.41%	10/20/2018	N/A	448,590
1,500,000	Standard Chartered PLC	NR	0.29%	03/02/2014	N/A	1,469,055
						9,774,745
	Commercial Receivables – 0.1%					
400,000	Leaf II Receivables Funding, LLC, Series 2010-4, Class D(b)	NR	5.00%	01/20/2019	02/20/13 @ 100	362,360
	Insurance – 0.0%					
100,000	Insurance Note Capital Term, Series 1005-1R1A(b)(d)	A	0.57%	06/09/2033	N/A	85,396
	Other ABS – 0.0%					
32,614	Aircraft Certificate Owner Trust(b)	BB	6.46%	09/20/2022	N/A	32,125
	Timeshare – 0.2%					
666,428	Silverleaf Finance LLC, Series 2011-A, Class A(b)	NR	9.00%	06/15/2023	N/A	628,688
	Transportation – 1.3%					
5,309,066	Airplanes Pass-Through Trust, Series 2001-1A, Class A9(d)(h)	CCC	0.80%	03/15/2019	N/A	3,371,643
1,880,560	Vega Containervessel PLC, Series 2006-1A, Class A(b)	Ba3	5.56%	02/10/2021	N/A	1,767,726
						5,139,369
	Whole Business – 0.9%					
1,300,000	Adams Outdoor Advertising, LP, Series 2010-1, Class B(b)	Ba2	8.84%	12/20/2040	N/A	1,355,098
1,825,000	Adams Outdoor Advertising, LP, Series 2010-1, Class C(b)	B3	10.76%	12/20/2040	N/A	1,918,223
						3,273,321
	Total Asset Backed Securities – 7.5%					
	(Cost $29,505,904)					28,774,120
	Collateralized Mortgage Obligations – 0.5%					
	Commercial Mortgage Backed Security – Traditional – 0.5%					
2,000,000	GS Mortgage Securities Corp. II, Series 2007-EOP, Class H(b)(d)	BBB-	3.58%	03/06/2020	N/A	1,922,728
	(Cost $1,797,321)					
	Term Loans – 3.1%(f)					
	Consumer Products – 0.1%					
349,125	Targus Group International, Inc.	B	11.00%	05/25/2016	N/A	330,796
	Consumer Services – 0.2%					
932,250	NCO Group, Inc.	CCC+	8.00%	05/15/2013	N/A	928,176

	Gaming – 0.8%					
3,001,245	MGM Mirage, Inc	Ba3	7.00%	02/21/2014	N/A	2,923,543
300,000	Rock Ohio Caesars LLC	BB-	8.50%	08/11/2017	N/A	300,750
						3,224,293
	Oil Field Services – 0.8%					
2,977,500	Southern Pacific Resources 2nd Lien	CCC	10.75%	12/22/2016	N/A	2,996,124
	Other Industrials – 0.1%					
500,000	Sirva Worldwide, Inc.	B	10.75%	03/17/2017	N/A	505,000
	Retail – 0.4%					
1,500,000	Garden Ridge	B+	8.75%	10/04/2017	N/A	1,350,000

See notes to financial statements.

GBAB l Guggenheim Build America Bonds Managed Duration
Trust l Portfolio of Investments (unaudited) continued

Principal Amount	Description	Rating*	Coupon	Maturity	Optional Call Provisions**	Value
	Technology – 0.7%					
$ 99,456	API Technologies Corp.	BB-	7.75%	06/27/2016	N/A	$ 95,975
1,000,000	Infor Global Solutions 2nd Lien	Caa2	6.51%	03/02/2014	N/A	821,500
1,706,300	Lawson Software	B+	6.75%	07/05/2017	N/A	1,670,041
						2,587,516
	Total Term Loans – 3.1%					
	(Cost $11,840,718)					11,921,905
Number of Shares	Description					Value
	Preferred Stocks – 1.9%					
	Diversified Financial Services – 0.5%					
1,900	Falcons Funding Trust I(b)(d)	NR	8.88%	–		1,983,837
	Transportation – 1.4%					
200,000	Seaspan Corp., Series C	NR	9.50%	–		5,290,000
	Total Preferred Stocks – 1.9%					
	(Cost $6,928,500)					7,273,837
	Warrants – 0.0%					
1,550	Alion Science and Technology Corp.(g)			03/15/2017		–
	(Cost $16)					
	Total Long-Term Investments – 128.9%					
	(Cost $445,438,000)					493,012,559
Principal Amount	Description		Coupon	Maturity		Value
	Short-Term Investments – 1.1%					
	Municipal Bonds – 1.1%					
	Michigan – 1.1%					
$ 2,000,000	Michigan Finance Authority, State Aid Revenue Notes, School District of the City of Detroit, Series 2011A-1(h)	SP-1	6.45%	02/20/2012		2,018,480
2,400,000	Michigan Finance Authority, State Aid Revenue Notes, School District of the City of Detroit, Series 2011A-2(h)	SP-1	6.65%	03/20/2012		2,431,776
	(Cost $4,400,000)					4,450,256
	Total Investments – 130.0%					
	(Cost $449,838,000)					497,462,815

Other Assets in excess of Liabilities – 2.1%	7,856,940
Reverse Repurchase Agreements – (32.1%)	(122,753,507)
Net Assets – 100.0%	$ 382,566,248

See notes to financial statements.

AGM – Insured by Assured Guaranty Municipal Corporation
Assured GTY – Insured by Assured Guaranty Corporation
CDO – Collateralized Debt Obligation
CLO – Collateralized Loan Obligation
LLC – Limited Liability Company
LP – Limited Partnership
N/A- Not Applicable
PLC – Public Limited Company
Pty – Propriety
SAB de CV – Publicly Traded Company

* Ratings shown are per Standard & Poor's, Moody's or Fitch. Securities classified as NR are not rated. (For securities not rated by Standard & Poor's Rating Group, the rating by Moody's Investor Services, Inc. is provided. Likewise, for securities not rated by Standard & Poor's Rating Group and Moody's Investor Services, Inc., the rating by Fitch Ratings is provided.) All ratings are unaudited. The ratings apply to the credit worthiness of the issuers of the underlying securities and not to the Trust or its shares.

** Date and price of the earliest optional call or put provision. There may be other call provisions at varying prices at later dates.

(a) Taxable municipal bond issued as part of the Build America Bond program.

(b) Securities are exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At November 30, 2011, these securities amounted to $43,271,875, which represents 11.3% of net assets applicable to common shares.

(c) The issuer of this security may elect to pay interest entirely in cash, entirely by issuing payment-in-kind shares, or pay 50% of the interest in cash and 50% of the interest by issuing payment-in-kind shares.

(d) Floating or variable rate coupon. The rate shown is as of November 30, 2011.

(e) Security is a "Step-up" bond where the coupon increases or steps up at a predetermined date. The rate shown reflects the rate in effect at the end of the reporting period.

(f) Term loans held by the Trust have a variable interest rate feature which is periodically adjusted based on an underlying interest rate benchmark. In addition, term loans may include mandatory and/or optional prepayment terms. As a result, the actual maturity dates of the loan may be different than the amounts disclosed in the portfolios of investments. Term loans may be considered restricted in that the Trust may be contractually obligated to secure approval from the Agent Bank and/or Borrower prior to the sale or disposition of loan.

(g) Non-income producing security.

(h) All or a portion of these securities have been physically segregated in connection with unfunded loan commitments and reverse repurchase agreements. As of November 30, 2011, the total amount segregated was $181,420,204.

See notes to financial statements.

GBAB l Guggenheim Build America Bonds Managed Duration Trust
Statement of Assets and Liabilities l November 30, 2011 (unaudited)

Assets	
Investments in securities, at value (cost $449,838,000)	$497,462,815
Interest receivable	9,383,413
Other assets	7,023
Total assets	506,853,251
Liabilities	
Reverse repurchase agreements	122,753,507
Due to custodian	675,758
Payable for securities purchased	368,320
Advisory fee payable	248,637
Interest due on borrowings	104,099
Administrative fee payable	9,470
Accrued expenses and other liabilities	127,212
Total liabilities	124,287,003
Net Assets	$382,566,248
Composition of Net Assets	
Common stock, $.01 par value per share; unlimited number of shares authorized, 17,409,470 shares issued and outstanding	$174,095
Additional paid-in capital	331,604,613
Accumulated undistributed net investment income	2,820,698
Accumulated net realized gain on investments	342,027
Accumulated net unrealized appreciation on investments	47,624,815
Net Assets	$382,566,248
Net Asset Value	
(based on 17,409,470 common shares outstanding)	$21.97

See notes to financial statements.

GBAB l Guggenheim Build America Bonds Managed Duration Trust

Statement of Operations l For the six months ended November 30, 2011 (unaudited)

Investment Income		
Interest	$15,945,269	
Dividends	238,810	
Total income		$16,184,079
Expenses		
Advisory fee	1,458,068	
Interest expense	506,153	
Professional fees	131,401	
Trust accounting	59,190	
Administrative fee	56,059	
Trustees' fees and expenses	45,101	
Custodian fee	41,624	
Printing expenses	40,633	
NYSE listing fee	12,702	
Insurance expense	10,534	
Transfer agent fee	9,232	
Miscellaneous	3,461	
Total expenses		2,374,158
Net investment income		13,809,921
Realized and Unrealized Gain on Investments		
Net realized gain on:		
Investments		115,214
Net change in unrealized appreciation on:		
Investments		21,627,687
Net realized and unrealized gain on investments		21,742,901
Net Increase in Net Assets Resulting from Operations		$35,552,822

See notes to financial statements.

GBAB l Guggenheim Build America Bonds Managed Duration Trust

Statement of Changes in Net Assets l

	For the Six Months Ended November 30, 2011 (unaudited)	For the Period October 28, 2010* through May 31, 2011
Increase in Net Assets from Operations		
Net investment income	$ 13,809,921	$ 11,815,722
Net realized gain/(loss) on investments	115,214	(9,230)
Net change in unrealized appreciation on investments	21,627,687	25,997,128
Net increase in net assets resulting from operations	35,552,822	37,803,620
Distributions to Common Shareholders		
From net investment income	(12,430,362)	(10,184,540)
Capital Share Transactions		
Net proceeds from the issuance of common shares	0	332,420,793
Common share offering costs charged to paid-in capital	0	(696,169)
Net increase from capital share transactions	0	331,724,624
Total increase in net assets	23,122,460	359,343,704
Net Assets		
Beginning of period	359,443,788	100,084
End of period (including undistributed net investment income of $2,820,698 and $1,441,139, respectively)	$ 382,566,248	$ 359,443,788

* Commencement of investment operations.

See notes to financial statements.

GBAB l Guggenheim Build America Bonds Managed Duration Trust

Statement of Cash Flows l For the six months ended November 30, 2011 (unaudited)

Cash Flows from Operating Activities:	
Net increase in net assets resulting from operations	$35,552,822
Adjustments to Reconcile Net Increase in Net Assets Resulting from Operations to	
Net Cash Used by Operating and Investing Activities:	
Net unrealized appreciation on investments	(21,627,687)
Net realized gain on investments	(115,214)
Paydowns received	(342,843)
Net accretion of bond discount and amortization of bond premium	(241,389)
Purchase of long-term investments	(32,049,217)
Proceeds from sale of long-term investments	12,716,942
Net proceeds from sale of short-term investments	2,874,884
Decrease in interest receivable	38,276
Decrease in receivable for securities sold	1,982,500
Decrease in other assets	10,534
Decrease in payable for securities purchased	(4,901,648)
Increase in due to custodian	675,758
Increase in advisory fee payable	16,280
Increase in interest due on borrowings	46,865
Increase in administration fee payable	451
Decrease in accrued expenses and other liabilities	(54,051)
Net Cash Used by Operating and Investing Activities	(5,416,737)
Cash Flows From Financing Activities:	
Distributions to common shareholders	(12,430,362)
Increase in reverse repurchase agreements	17,847,099
Net Cash Provided by Financing Activities	5,416,737
Net change in cash	–
Cash at Beginning of Period	–
Cash at End of Period	$–
Supplemental Disclosure of Cash Flow Information: Cash paid during the period for interest	$459,288

See notes to financial statements.

24 l Semiannual Report l November 30, 2011

GBAB l Guggenheim Build America Bonds Managed Duration Trust

Financial Highlights l

Per share operating performance for a common share outstanding throughout the period		For the Six Months Ended November 30, 2011 (unaudited)			For the Period October 28, 2010* through May 31, 2011	
Net asset value, beginning of period	$	20.65		$	19.10	(a)
Income from investment operations						
Net investment income (b)		0.79			0.68	
Net realized and unrealized gain on investments		1.24			1.50	
Total from investment operations		2.03			2.18	
Common shares' offering expenses charged to paid-in capital		–			(0.04	)
Distributions to Common Shareholders						
From net investment income		(0.71	)		(0.59	)
Net asset value, end of period	$	21.97		$	20.65	
Market value, end of period	$	20.92		$	19.54	
Total investment return (c)						
Net asset value		9.98	%		11.34	%
Market value		10.93	%		0.80	%
Ratios and supplemental data						
Net assets, end of period (thousands)	$	382,566		$	359,444	
Ratios to Average Net Assets applicable to Common Shares:						
Total expenses, excluding interest expense		1.00	%(d)		0.91	%(d)
Total expenses, including interest expense		1.28	%(d)		1.05	%(d)
Net investment income, including interest expense		7.42	%(d)		6.00	%(d)
Portfolio turnover rate (e)		2	%		3	%
Senior Indebtedness:						
Total Borrowings outstanding (in thousands)	$	122,754		$	104,906	
Asset Coverage per $1,000 of indebtedness	$	4,117		$	4,426	

* Commencement of investment operations.

(a) Before deduction of offering expenses charged to capital.

(b) Based on average shares outstanding during the period.

(c) Total investment return is calculated assuming a purchase of a common share at the beginning of the period and a sale on the last day of the period reported either at net asset value ("NAV") or market price per share. Dividends and distributions are assumed to be reinvested at NAV for NAV returns or the prices obtained under the Trust's Dividend Reinvestment Plan for market value returns. Total investment return does not reflect brokerage commissions. A return calculated for a period of less than one year is not annualized.

(d) Annualized.

(e) Portfolio turnover is not annualized for periods of less than one year.

(f) Calculated by subtracting the Trust's total liabilities (not including borrowings) from the Trust's total assets and dividing by the total borrowings.

See notes to financial statements.

GBAB l Guggenheim Build America Bonds Managed Duration Trust

Notes to Financial Statementsl November 30, 2011 (unaudited)

Note 1 – Organization:

Guggenheim Build America Bonds Managed Duration Trust (the "Trust") was organized as a Delaware statutory trust on June 30, 2010. The Trust is registered as a diversified closed-end management investment company under the Investment Company Act of 1940, as amended.

The Trust's primary investment objective is to provide current income with a secondary objective of long-term capital appreciation. There can be no assurance that the Trust will achieve its investment objectives. The Trust's investment objectives are considered fundamental and may not be changed without shareholder approval.

Note 2 – Accounting Policies:

The preparation of the financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from these estimates.

The following is a summary of significant accounting policies consistently followed by the Trust.

(a) Valuation of Investments

The Trust values equity securities at the last reported sale price on the principal exchange or in the principal over-the-counter ("OTC") market in which such securities are traded, as of the close of regular trading on the New York Stock Exchange ("NYSE") on the day the securities are being valued or, if there are no sales, at the mean between the last available bid and ask prices on that day. Securities traded on NASDAQ are valued at the NASDAQ Official Closing Price. The Trust values debt securities (including municipal securities, asset-backed securities, collateralized mortgage obligations and term loans) at the last available bid price for such securities or, if such prices are not available, at prices for securities of comparable maturity, quality, and type. Short-term securities with remaining maturities of 60 days or less may be valued at amortized cost, which approximates fair value.

For those securities where quotations or prices are not available, the valuations are determined in accordance with procedures established in good faith by management and approved by the Board of Trustees. Valuations in accordance with these procedures are intended to reflect each security's (or asset's) "fair value". Such "fair value" is the amount that the Trust might reasonably expect to receive for the security (or asset) upon its current sale. Each such determination should be based on a consideration of all relevant factors, which are likely to vary from one pricing context to another. Examples of such factors may include, but are not limited to: (i) the type of security, (ii) the initial cost of the security, (iii) the existence of any contractual restrictions on the security's disposition, (iv) the price and extent of public trading in similar securities of the issuer or of comparable companies, (v) quotations or evaluated prices from broker-dealers and/or pricing services, (vi) information obtained from the issuer, analysts, and/or the appropriate stock exchange (for exchange traded securities), (vii) an analysis of the company's financial statements, and (viii) an evaluation of the forces that influence the issuer and the market(s) in which the security is purchased and sold (e.g. the existence of pending merger activity, public offerings or tender offers that might affect the value of the security).

Fair value is defined as the price that the Trust would receive to sell an investment or pay to transfer a liability in an orderly transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. There are three different categories for valuations. Level 1 valuations are those based upon quoted prices in active markets. Level 2 valuations are those based upon quoted prices in inactive markets or based upon significant observable inputs (e.g. yield curves; benchmark interest rates; indices). Level 3 valuations are those based upon unobservable inputs (e.g. discounted cash flow analysis; non-market based methods used to determine fair valuation).

The Trust values Level 1 securities using readily available market quotations in active markets. The Trust values Level 2 fixed income securities using independent pricing providers who employ matrix pricing models utilizing market prices, broker quotes and prices of securities with comparable maturities and qualities. The Trust values Level 2 equity securities using various observable market inputs in accordance with procedures established in good faith by management and approved by the Board of Trustees as described above. The Trust did not have any Level 3 securities during the six months ended November 30, 2011.

The following table represents the Trust's investments carried on the Statement of Assets and Liabilities by caption and by level within the fair value hierarchy as of November 30, 2011.

Description (value in $000s)	Level 1	Level 2	Level 3	Total
Assets:				
Municipal Bonds	$–	$411,336	$–	$411,336
Corporate Bonds	–	36,234	–	36,234
Asset Backed Securities	–	28,774	–	28,774
Collateralized Mortgage Obligations	–	1,923	–	1,923
Term Loans	–	11,922	–	11,922
Preferred Stock	7,274	–	–	7,274
Warrants	–	– *	–	– *
Total	$7,274	$490,189	$–	$497,463

* Less than minimum amount disclosed.

There were no transfers between levels during the six months ended November 30, 2011.

(b) Investment Transactions and Investment Income

Investment transactions are accounted for on the trade date. Realized gains and losses on investments are determined on the identified cost basis. Paydown gains and losses on mortgage and asset-backed securities are treated as an adjustment to interest income. For the six months ended November 30, 2011, the Trust recognized an increase of interest income and a decrease of net realized gain of $342,843. This reclassification is reflected on the Statement of Operations and had no effect on the net asset value of the Trust. Dividend income is recorded net of applicable withholding taxes on the ex-dividend date and interest income is recorded on an accrual basis. Discounts or premiums on debt securities purchased are accreted or amortized to interest income over the lives of the respective securities using the effective interest method.

(c) Swaps

A swap is an agreement to exchange the return generated by one instrument for the return generated by another instrument. The Trust may enter into swap agreements to manage its exposure to interest rates or to manage the duration of its portfolio. The swaps are valued daily at current market value and any unrealized gain or loss is included in the Statement of Operations. The Trust accrues for the interim payments on swap contracts on a daily basis, with the net amount recorded within unrealized appreciation/depreciation of swap contracts on the Statement of Assets and Liabilities. Once the interim payments are settled in cash, the net amount is recorded as realized gain/loss on swaps, in addition to realized gain/loss recorded upon the termination of swap contracts on the Statement of Operations. During the period that the swap agreement is open, the Trust may be subject to risk from the potential inability of the counterparty to meet the terms of the agreement. The swaps involve elements of both market and credit risk in excess of the amounts reflected on the Statement of Assets and Liabilities. During the period ended November 30, 2011, there were no swaps outstanding.

(d) When-Issued and Delayed Delivery Transactions

The Trust may engage in when-issued or delayed delivery transactions. The Trust records when-issued securities on the trade date and maintains security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed delivery basis are marked to market daily and begin earning interest on the settlement date. Losses may occur on these transactions due to changes in a market conditions or the failure of counterparties to perform under the contract.

(e) Distributions

The Trust declares and pays monthly dividends to common shareholders. Any net realized long-term gains are distributed annually. Distributions to shareholders are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from GAAP.

(f) Currency Translation

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the mean of the bid and asked price of the respective exchange rates on the last day of the period. Purchases and sales of investments denominated in foreign currencies are translated at the mean of the bid and asked price of respective exchange rates on the date of the transaction.

Foreign exchange gain or loss resulting from holding of a foreign currency, expiration of a currency exchange contract, difference in the exchange rates between the trade date and settlement date of an investment purchased or sold, and the difference between dividends actually received compared to the amount shown in a Trust’s accounting records on the date of receipt are included as net realized gains or losses on foreign currency forwards and currency transactions in the Trust’s Statement of Operations.

Foreign exchange gain or loss on assets and liabilities, other than investments, is included in unrealized appreciation (depreciation) on foreign currency transactions. There were no currency gains or losses for the six months ended November 30, 2011.

(g) Recent Accounting Pronouncements

On May 12, 2011, the Financial Accounting Standards Board (“FASB”) issued ASU 2011-04, modifying Topic 820, Fair Value Measurements and Disclosures. At the same time, the International Accounting Standards Board (“IASB”) issued International Financial Reporting Standard (“IFRS”) 13, Fair Value Measurement. The objective by the FASB and IASB is convergence of their guidance on fair value measurements and disclosures. Specifically, the ASU requires reporting entities to disclose (i) the amounts of any transfers between Level 1 and Level 2, and the reasons for the transfers, (ii) for Level 3 fair value measurements, quantitative information about significant unobservable inputs used, (iii) a description of the valuation processes used by the reporting entity and, (iv) a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs might result in a significantly higher or lower fair value measurement. The effective date of the ASU is for interim and annual periods beginning after December 15, 2011, and is therefore not effective for the current fiscal year. The Adviser is in the process of assessing the impact of the updated standards on the Trust’s financial statements.

Note 3 – Investment Advisory Agreement, Sub-Advisory Agreement and Other Agreements:

Pursuant to an Investment Advisory Agreement (the “Agreement”) between the Trust and Guggenheim Funds Investment Advisors, LLC (“the Adviser”), the Adviser furnished offices, necessary facilities and equipment, provides administrative services, oversees the activities of Guggenheim Partners Asset Management, LLC (“GPAM”), provides personnel including certain officers required for the Trust’s administrative management and compensates the officers and trustees of the Trust who are affiliates of the Adviser. As compensation for these services, the Trust pays the Adviser a fee, payable monthly, in an amount equal to 0.60% of the Trust’s average daily managed assets (net assets applicable to common shareholders plus any assets attributable to financial leverage).

Pursuant to a Sub-Advisory Agreement (the “Sub-Advisory Agreement”) among the Trust, the Adviser and GPAM, GPAM under the supervision of the Trust’s Board of Trustees and the Adviser, provides a continuous investment program for the Trust’s portfolio; provides investment research; makes and executes recommendations for the purchase and sale of securities; and provides certain facilities and personnel, including certain officers required for its administrative management and pays the compensation of all officers and trustees of the Trust who are GPAM’s affiliates. As compensation for its services, the Adviser pays GPAM a fee, payable monthly, in an annual amount equal to 0.30% of the Trust’s average daily managed assets.

Certain officers of the Trust may also be officers, directors and/or employees of the Adviser or GPAM. The Trust does not compensate its officers who are officers, directors and/or employees of the aforementioned firms.

Under a separate Fund Administration agreement, the Adviser provides Fund Administration services to the Trust. As compensation for services performed under the Administration Agreement, the Adviser will receive an administration fee payable monthly at the annual rate set forth below as a percentage of the average daily managed assets of the Trust:

Managed Assets	Rate	
First $200,000,000	0.0275	%
Next $300,000,000	0.0200	%
Next $500,000,000	0.0150	%
Over $1,000,000,000	0.0100	%

For the six months ended November 30, 2011, the Trust recognized expenses of approximately $56,059 for these services.

The Bank of New York Mellon (“BNY”) acts as the Trust’s custodian and accounting agent. As custodian, BNY is responsible for the custody of the Trust’s assets. As accounting agent, BNY is responsible for maintaining the books and records of the Trust’s securities and cash.

Note 4 – Federal Income Taxes:

The Trust intends to comply with the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, no provision for U.S. federal income taxes is required. In addition, by distributing substantially all of its ordinary income and long-term capital gains, if any, during each calendar year, the Trust intends not to be subject to U.S. federal excise tax.

GBAB l Guggenheim Build America Bonds Managed Duration Trust l Notes to Financial Statements (unaudited) continued

Information on the components of net assets on a tax basis as of November 30, 2011, is as follows:

Cost of Investments for Tax Purposes	Gross Tax Unrealized Appreciation	Gross Tax Unrealized Depreciation	Net Tax Unrealized Appreciation on Investments
$449,838,000	$50,892,087	$(3,267,272)	$47,624,815

As of May 31, 2011 (the most recent fiscal year end for federal income tax purposes), the components of accumulated earnings/(losses) (excluding paid-in capital) on a tax basis were as follows:

Undistributed Ordinary Income/ (Accumulated Ordinary Loss)	Accumulated Long-Term Gains/ (Accumulated Capital Loss)
$1,441,139	$226,813

For the period ended May 31, 2011, the tax character of distributions paid to common shareholders as reflected in the Statement of Changes in Net Assets was as follows:

Distributions paid from	2011
Ordinary Income	$10,184,540

For all open tax years and all major jurisdictions, management of the Trust has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. Uncertain tax positions are tax positions taken or expected to be taken in the course of preparing the Trust's tax returns that would not meet a more-likely-than-not threshold of being sustained by the applicable tax authority and would be recorded as a tax expense in the current year. Open tax years are those that are open for examination by taxing authorities (i.e. generally the last four tax year ends and the interim tax period since them). Furthermore, management of the Trust is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

Note 5 – Investments in Securities:

For the six months ended November 30, 2011, the cost of purchases and proceeds from sales of investments, excluding short-term securities, were $32,049,217 and $12,716,942, respectively.

Note 6 – Capital:

Common Shares

In connection with its organization process, the Trust sold 5,240 shares of beneficial interest to Guggenheim Funds Distributors, Inc., an affiliate of the Adviser, for consideration of $100,084 at a price of $19.10 per share. The Trust has an unlimited amount of common shares, $0.01 par value, authorized and 17,409,470 issued and outstanding. Of this amount, the Trust issued 17,000,000 shares of common stock in its initial public offering. These shares were issued at $19.10 per share after deducting the sales load but before underwriters' expense reimbursement.

In connection with the initial public offering of the Trust's common shares, the underwriters were granted an option to purchase additional common shares. On December 14, 2010, the underwriters purchased, at a price of $19.10 per common share (after deducting the sales load but before underwriters' expense reimbursement), 404,230 common shares of the Trust pursuant to the over-allotment option.

Offering costs, estimated at $696,169 or $0.04 per share, in connection with the issuance of common shares have been borne by the Trust and were charged to paid-in capital. The Adviser and GPAM have agreed to pay offering expenses (other than sales load, but including reimbursement of expenses to the underwriters) in excess of $0.04 per common share.

Note 7 – Leverage:

Reverse Repurchase Agreements

The Trust may enter into reverse repurchase agreements as part of its financial leverage strategy. Under a reverse repurchase agreement, the Trust temporarily transfers possession of a portfolio instrument to another party, such as a bank or broker-dealer, in return for cash. At the same time, the Trust agrees to repurchase the instrument at an agreed upon time and price, which reflects an interest payment. Such agreements have the economic effect of borrowings. The Trust may enter into such agreements when it is able to invest the cash acquired at a rate higher than the cost of the agreement, which would increase earned income. When the Trust enters into a reverse repurchase agreement, any fluctuations in the market value of either the instruments transferred to another party or the instruments in which the proceeds may be invested would affect the market value of the Trust's assets. As a result, such transactions may increase fluctuations in the market value of the Trust's assets. For six months ended November 30, 2011, the average daily balance for which reverse repurchase agreements were outstanding amounted to $113,845,737. The weighted average interest rate was 0.90%. As of November 30, 2011, the total amount segregated in connection with reverse repurchase agreements was $148,144,954. As of November 30, 2011, there was $122,753,507 in reverse repurchase agreements outstanding.

At November 30, 2011, the Trust had outstanding reverse repurchase agreements with various counterparties. Details of the reverse repurchase agreements by counterparty are as follows:

Counterparty	Range of Interest Rates	Range of Maturity Dates	Face Value
BNP Paribas	0.80%	04/06/12	$ 55,971,726
Banc of America Securities LLC	0.90% - 0.95%	12/05/11 – 01/05/12	10,031,969
Royal Bank of Canada	0.90% - 1.10%	12/01/11- 12/28/11	56,749,812
			$122,753,507

Note 8 – Loan Commitments

Pursuant to the terms of certain Term Loan agreements, the Trust held unfunded loan commitments of as of November 30, 2011. The Trust is obligated to fund these loan commitments at the borrower's discretion. The Trust intends to reserve against such contingent obligations by designating cash, liquid securities, and liquid term loans as a reserve.

At November 30, 2011, the Trust had the following unfunded loan commitments which could be extended at the option of the borrower:

Borrower	Expiration Date	Principal Amount	Unrealized Appreciation/ (Depreciation)
99 Cents Only Stores	04/06/2012	$1,000,000	$ –
PPDI	04/02/2012	1,500,000	–
Superior Energy	04/30/2012	500,000	–
		$3,000,000	$ –

Note 9 – Indemnifications:

In the normal course of business, the Trust enters into contracts that contain a variety of representations, which provide general indemnifications. The Trust's maximum exposure under these arrangements is unknown, as this would require future claims that may be made against the Trust that have not yet occurred. However, the Trust expects the risk of loss to be remote.

Note 10 – Subsequent Events:

The Trust evaluated subsequent events through the date the financial statements were available for issue and determined there were no additional material events that would require disclosure in the Trust's financial statements, except as noted below.

On December 1, 2011, the Trust declared a monthly dividend of $0.129 per common share. The dividend was payable on December 30, 2011, to shareholders of record on December 15, 2011.

Effective December 7, 2011, the Trust entered into a $125,000,000 credit facility agreement with Bank of America, N.A. The interest rate on the amount borrowed is based on the 1-month LIBOR plus 0.90%. An unused fee of 0.25% is charged on the difference between the $125,000,000 and the amount borrowed.

On January 3, 2012, the Trust declared a monthly dividend of $0.129 per common share. The dividend was payable on January 31, 2012, to shareholders of record on January 13, 2012.

GBAB l Guggenheim Build America Bonds Managed Duration Trust

Supplemental Information l (unaudited)

Federal Income Tax Information

In January 2012, you will be advised on IRS Form 1099 DIV or substitute 1099 DIV as to the federal tax status of the distributions received by you in the calendar year 2011.

Trustees

The Trustees of the Guggenheim Build America Bonds Managed Duration Trust and their principal occupations during the past five years:

Name, Address*, Year of Birth and Position(s) Held with Registrant	Term of Office** and Length of Time Served	Principal Occupations during the Past Five Years and Other Affiliations	Number of Portfolios in the Trust Complex*** Overseen by Trustee	Other Directorships Held by Trustee
Independent Trustees:				
Randall C. Barnes Year of Birth: 1951 Trustee	Since 2010	Private Investor (2001-present). Formerly, Senior Vice President and Treasurer, PepsiCo, Inc. (1993-1997), President, Pizza Hut International (1991-1993) and Senior Vice President, Strategic Planning and New Business Development (1987-1990).	56	None.
Roman Friedrich III Year of birth: 1946 Trustee	Since 2010	Founder and President of Roman Friedrich & Company, Ltd., a mining and metals investment bank (1998-present). Advisory Board Member of McNicoll, Lewis & Vlak, an investment bank and institutional broker-dealer specializing in capital intensive industries such as energy, metals and mining (2010-present).	50	Director, Axiom Gold and Silver Corp. (2011-present), Windstorm Resources, Inc. (2011-present), Zincore Metals, Inc. (2009-present), StrataGold Corporation (2003-2009), Gateway Gold Corp. (2004-2008), GFM Resources Ltd. (2005-2010).
Robert B. Karn III	Since 2010	Consultant (1998-present). Previously, Managing Partner, Financial and Economic Consulting,	50	Director of Peabody Energy Company

Year of Birth: 1942 Trustee		St. Louis office of Arthur Andersen, LLP.		(2003-present), GP Natural Resource Partners LLC (2002-present).
Ronald A. Nyberg Year of birth: 1953 Trustee	Since 2010	Partner of Nyberg & Cassioppi, LLC, a law firm specializing in corporate law, estate planning and business transactions (2000-present). Formerly, Executive Vice President, General Counsel and Corporate Secretary of Van Kampen Investments (1982-1999).	58	None.
Ronald E. Toupin, Jr. Year of birth: 1958 Trustee	Since 2010	Portfolio Consultant (2010-present). Formerly, Vice President, Manager and Portfolio Manager of Nuveen Asset Management (1998-1999), Vice President of Nuveen Investment Advisory Corp. (1992-1999), Vice President and Manager of Nuveen Unit Investment Trusts (1991-1999), and Assistant Vice President and Portfolio Manager of Nuveen Unit Investment Trusts (1988-1999), each of John Nuveen & Company, Inc. (1982-1999).	55	Trustee, Bennett Group of Funds (2011-present).

* Address for all Trustees unless otherwise noted: 2455 Corporate West Drive, Lisle, IL 60532

** After a Trustee's initial term, each Trustee is expected to serve a three-year term concurrent with the class of Trustees for which he serves:

- Messrs. Friedrich and Nyberg, as Class II Trustees, are expected to stand for re-election at the Trust's annual meeting of shareholders for fiscal year ending May 31, 2012.
- Messrs. Karn and Toupin, as Class III Trustees, are expected to stand for re-election at the Trust's annual meeting of shareholders for fiscal year ending May 31, 2013.
- Mr. Barnes, as a Class I Trustee, is expected to stand for re-election at the Trust's annual meeting of shareholders for fiscal year ending May 31, 2014.

*** As of period end. The Guggenheim Funds Fund Complex consists of U.S. registered investment companies advised or serviced by Guggenheim Funds Investment Advisors, LLC and/or Guggenheim Funds Distributors, Inc. The Guggenheim Funds Fund Complex is overseen by multiple Boards of Trustees.

Officers

The officers of the Guggenheim Build America Bonds Managed Duration Trust and their principal occupations during the past five years:

Name, Address*, Year of Birth and Position(s) Held with Registrant	Term of Office** and Length of Time Served	Principal Occupations During the Past Five Years and Other Affiliations
Officers:		
Kevin M. Robinson Year of Birth: 1959 Chief Executive Officer Chief Legal Officer	Since 2010	Senior Managing Director and General Counsel of Guggenheim Funds Investment Advisors, LLC, Guggenheim Funds Distributors, Inc., and Guggenheim Funds Services Group, Inc. (2007-present). Chief Legal Officer and Chief Executive Officer of certain other funds in the Fund Complex. Formerly, Associate General Counsel and Assistant Corporate Secretary of NYSE Euronext, Inc. (2000-2007).
John Sullivan Year of Birth: 1955 Chief Accounting Officer, Chief Financial Officer Treasurer	Since 2010	Senior Managing Director of Guggenheim Funds Investment Advisors, LLC and Guggenheim Funds Distributors, Inc. Chief Accounting Officer, Chief Financial Officer and Treasurer of certain other funds in the Fund Complex. Formerly, Chief Compliance Officer, Van Kampen Funds (2004–2010). Head of Fund Accounting, Morgan Stanley Investment Management (2002–2004). Chief Financial Officer, Treasurer, Van Kampen Funds (1996-2004).
Bruce Saxon Year of birth: 1957 Chief Compliance Officer	Since 2010	Vice President, Fund Compliance Officer of Guggenheim Funds Investment Advisors, LLC (2006 to present). Formerly, Chief Compliance Officer/Assistant Secretary of Harris Investment Management, Inc. (2003-2006). Director-Compliance of Harrisdirect LLC (1999-2003).
Mark E. Mathiasen Year of birth: 1978 Secretary	Since 2010	Vice President; Assistant General Counsel of Guggenheim Funds Services Group, Inc. (2007-present). Secretary of certain funds in the Fund Complex. Formerly, Law Clerk, Idaho State Courts (2003-2006).

* Address for all Officers: 2455 Corporate West Drive, Lisle, IL 60532

** Officers serve at the pleasure of the Board of Trustees and until his or her successor is appointed and qualified or until his or her earlier resignation or removal.

GBAB l Guggenheim Build America Bonds Managed Duration Trust

Dividend Reinvestment Plan l (unaudited)

Unless the registered owner of common shares elects to receive cash by contacting Computershare Shareowner Services LLC (the “Plan Administrator”), all dividends declared on common shares of the Trust will be automatically reinvested by the Plan Administrator, administrator for shareholders in the Trust’s Dividend Reinvestment Plan (the “Plan”), in additional common shares of the Trust. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by notice if received and processed by the Plan Administrator prior to the dividend record date; otherwise such termination or resumption will be effective with respect to any subsequently declared dividend or other distribution. Some brokers may automatically elect to receive cash on your behalf and may re-invest that cash in additional common shares of the Trust for you. If you wish for all dividends declared on your common shares of the Trust to be automatically reinvested pursuant to the Plan, please contact your broker.

The Plan Administrator will open an account for each common shareholder under the Plan in the same name in which such common shareholder’s common shares are registered. Whenever the Trust declares a dividend or other distribution (together, a “Dividend”) payable in cash, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in common shares. The common shares will be acquired by the Plan Administrator for the participants’ accounts, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized common shares from the Trust (“Newly Issued Common Shares”) or (ii) by purchase of outstanding common shares on the open market (“Open-Market Purchases”) on the New York Stock Exchange or elsewhere. If, on the payment date for any Dividend, the closing market price plus estimated brokerage commission per common share is equal to or greater than the net asset value per common share, the Plan Administrator will invest the Dividend amount in Newly Issued Common Shares on behalf of the participants. The number of Newly Issued Common Shares to be credited to each participant’s account will be determined by dividing the dollar amount of the Dividend by the net asset value per common share on the payment date; provided that, if the net asset value is less than or equal to 95% of the closing market value on the payment date, the dollar amount of the Dividend will be divided by 95% of the closing market price per common share on the payment date. If, on the payment date for any Dividend, the net asset value per common share is greater than the closing market value plus estimated brokerage commission, the Plan Administrator will invest the Dividend amount in common shares acquired on behalf of the participants in Open-Market Purchases.

If, before the Plan Administrator has completed its Open-Market Purchases, the market price per common share exceeds the net asset value per common share, the average per common share purchase price paid by the Plan Administrator may exceed the net asset value of the common shares, resulting in the acquisition of fewer common shares than if the Dividend had been paid in Newly Issued Common Shares on the Dividend payment date. Because of the foregoing difficulty with respect to Open-Market Purchases, the Plan provides that if the Plan Administrator is unable to invest the full Dividend amount in Open-Market Purchases during the purchase period or if the market discount shifts to a market premium during the purchase period, the Plan Administrator may cease making Open-Market Purchases and may invest the uninvested portion of the Dividend amount in Newly Issued Common Shares at net asset value per common share at the close of business on the Last Purchase Date provided that, if the net asset value is less than or equal to 95% of the then current market price per common share; the dollar amount of the Dividend will be divided by 95% of the market price on the payment date.

The Plan Administrator maintains all shareholders' accounts in the Plan and furnishes written confirmation of all transactions in the accounts, including information needed by shareholders for tax records. Common shares in the account of each Plan participant will be held by the Plan Administrator on behalf of the Plan participant, and each shareholder proxy will include those shares purchased or received pursuant to the Plan. The Plan Administrator will forward all proxy solicitation materials to participants and vote proxies for shares held under the Plan in accordance with the instruction of the participants.

There will be no brokerage charges with respect to common shares issued directly by the Trust. However, each participant will pay a pro rata share of brokerage commission incurred in connection with Open-Market Purchases. The automatic reinvestment of Dividends will not relieve participants of any Federal, state or local income tax that may be payable (or required to be withheld) on such Dividends.

The Trust reserves the right to amend or terminate the Plan. There is no direct service charge to participants with regard to purchases in the Plan; however, the Trust reserves the right to amend the Plan to include a service charge payable by the participants.

All correspondence or questions concerning the Plan should be directed to the Plan Administrator, Computershare Shareowner Services LLC Shareowner Services, P.O. Box 358015, Pittsburgh PA 15252-8015; Attention: Shareholder Services Department, Phone Number: (866) 488-3559.

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GBAB l Guggenheim Build America Bonds Managed Duration Trust

Trust Information l

Privacy Principles of Guggenheim Build America Bonds Managed Duration Trust for Shareholders

The Trust is committed to maintaining the privacy of its shareholders and to safeguarding its non-public personal information. The following information is provided to help you understand what personal information the Trust collects, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, the Trust does not receive any non-public personal information relating to its shareholders, although certain non-public personal information of its shareholders may become available to the Trust. The Trust does not disclose any non-public personal information about its shareholders or former shareholders to anyone except as permitted by law or as is necessary in order to service shareholder accounts (for example, to a transfer agent or third party administrator).

The Trust restricts access to non-public personal information about the shareholders to Guggenheim Funds Investment Advisors, LLC employees with a legitimate business need for the information. The Trust maintains physical, electronic and procedural safeguards designed to protect the non-public personal information of its shareholders.

Questions concerning your shares of Guggenheim Build America Bonds Managed Duration Trust?

- If your shares are held in a Brokerage Account, contact your Broker.

- If you have physical possession of your shares in certificate form, contact the Transfer Agent:

Computershare Shareowner Services LLC, 480 Washington Boulevard, Jersey City, NJ 07310; (866) 488-3559

This report is sent to shareholders of Guggenheim Build America Bonds Managed Duration Trust for their information. It is not a Prospectus, circular or representation intended for use in the purchase or sale of shares of the Trust or of any securities mentioned in this report.

A description of the Trust's proxy voting policies and procedures related to portfolio securities is available without charge, upon request, by calling the Trust at (866) 392-3004.

Information regarding how the Trust voted proxies for portfolio securities, if applicable, during the most recent 12-month period ended June 30, is also available, without charge and upon request by calling (866) 392-3004, by visiting the Trust's website at www.guggenheimfunds.com/gbab or by accessing the Trust's Form N-PX on the U.S. Securities and Exchange Commission's (SEC) website at www.sec.gov.

The Trust files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Trust's Form N-Q is available on the SEC website at www.sec.gov or the Trust's website at www.guggenheimfunds.com/gbab. The Trust's Form N-Q may also be viewed and copied at the SEC's Public Reference Room in Washington, DC; information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330.

GBAB l Guggenheim Build America Bonds Managed Duration Trust

About the Trust Manager l

Guggenheim Partners Asset Management, LLC

Guggenheim Partners Asset Management, LLC ("GPAM") is an indirect subsidiary of Guggenheim Partners, LLC, a diversified financial services firm. The firm provides capital markets services, portfolio and risk management expertise, wealth management, and investment advisory services. Clients of Guggenheim Partners, LLC subsidiaries are an elite mix of individuals, family offices, endowments, foundations, insurance companies and other institutions.

Investment Philosophy

GPAM's investment philosophy is predicated upon the belief that thorough research and independent thought are rewarded with performance that has the potential to outperform benchmark indexes with both lower volatility and lower correlation of returns over time as compared to such benchmark indexes.

Investment Process

GPAM's investment process is a collaborative effort between various groups including the Portfolio Construction Group, which utilize proprietary portfolio construction and risk modeling tools to determine allocation of assets among a variety of sectors, and its Sector Specialists, who are responsible for security selection within these sectors and for implementing securities transactions, including the structuring of certain securities directly with the issuers or with investment banks and dealers involved in the origination of such securities.

Guggenheim Funds Distributors, Inc.
2455 Corporate West Drive
Lisle, IL 60532
Member FINRA/SIPC
(01/12)

CEF-GBAB-SAR-1111

Item 2. Code of Ethics.

Not applicable for a semi-annual reporting period.

Item 3. Audit Committee Financial Expert.

Not applicable for a semi-annual reporting period.

Item 4. Principal Accountant Fees and Services.

Not applicable for a semi-annual reporting period.

Item 5. Audit Committee of Listed Registrants.

Not applicable for a semi-annual reporting period.

Item 6. Schedule of Investments.

The Schedule of Investments is included as part of Item 1.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

Not applicable for a semi-annual reporting period.

Item 8. Portfolio Managers of Closed-End Management Investment Companies.

(a) Not applicable for a semi-annual reporting period.

(b) There has been no change, as of the date of filing, in any of the Portfolio Managers identified in response to paragraph (a)(1) of this Item in the registrant’s most recent annual report on Form N-CSR.

Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

None.

Item 10. Submission of Matters to a Vote of Security Holders.

The registrant has not made any material changes to the procedures by which shareholders may recommend nominees to the registrant’s Board of Trustees.

Item 11. Controls and Procedures.

(a) The registrant's principal executive officer and principal financial officer have evaluated the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment

Company Act) as of a date within 90 days of this filing and have concluded based on such evaluation, as required by Rule 30a-3(b) under the Investment Company Act, that the registrant's disclosure controls and procedures were effective, as of that date, in ensuring that information required to be disclosed by the registrant in this Form N-CSR was recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms.

(b) There were no changes in the registrant’s internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act) that occurred during the registrant’s second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant’s internal control over financial reporting.

Item 12. Exhibits.

(a)(1) Not applicable.
(a)(2) Certifications of principal executive officer and principal financial officer pursuant to Rule 30a-2(a) under the Investment Company Act.
(a)(3) Not applicable.
(b) Certifications of principal executive officer and principal financial officer pursuant to Rule 30a-2(b) under the Investment Company Act and Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) Guggenheim Build America Bonds Managed Duration Trust

By: /s/ Kevin M. Robinson

Name: Kevin M. Robinson

Title: Chief Executive Officer and Chief Legal Officer

Date: February 3, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Kevin M. Robinson

Name: Kevin M. Robinson

Title: Chief Executive Officer and Chief Legal Officer

Date: February 3, 2012

By: /s/ John Sullivan

Name: John Sullivan

Title: Chief Financial Officer, Chief Accounting Officer and Treasurer

Date: February 3, 2012