

Duke Energy CORP  
Form S-4/A  
May 13, 2011  
Table of Contents

As filed with the Securities and Exchange Commission on May 13, 2011

Registration No. 333-172899

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**AMENDMENT NO. 3**  
**TO**  
**FORM S-4**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**Duke Energy Corporation**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**4931**  
(Primary Standard Industrial  
Classification Code Number)

**20-2777218**  
(I.R.S. Employer  
Identification Number)

**526 South Church Street**  
**Charlotte, North Carolina 28202**  
**(704) 594-6200**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Marc E. Manly, Esq.**  
**Group Executive, Chief Legal Officer and Corporate Secretary**

**Duke Energy Corporation**  
**526 South Church Street**  
**Charlotte, North Carolina 28202**  
**(704) 594-6200**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*Copies to:*

**Steven A. Rosenblum, Esq.**  
**Wachtell, Lipton, Rosen & Katz**  
**51 West 52nd Street**  
**New York, New York 10019**  
**(212) 403-1000**

**John R. McArthur, Esq.**  
**Executive Vice President, General Counsel and**  
**Corporate Secretary**  
**Progress Energy, Inc.**  
**410 South Wilmington Street**  
**Raleigh, North Carolina 27601**  
**(919) 546-6111**

**Timothy S. Goettel, Esq.**  
**Hunton & Williams LLP**  
**421 Fayetteville Street**  
**Raleigh, North Carolina 27601**  
**(919) 899-3000**



**Table of Contents**

**Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale is not permitted.**

**PRELIMINARY, SUBJECT TO COMPLETION, DATED MAY 13, 2011**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

Dear Shareholders:

The board of directors of Duke Energy Corporation and the board of directors of Progress Energy, Inc. have agreed to a strategic combination of Duke Energy and Progress Energy under the terms of the Agreement and Plan of Merger, dated as of January 8, 2011, which we refer to as the merger agreement. If we complete the merger, Diamond Acquisition Corporation, a wholly-owned subsidiary of Duke Energy, which we refer to as Merger Sub, will merge with and into Progress Energy and Progress Energy will become a wholly-owned subsidiary of Duke Energy.

In the merger, Progress Energy shareholders will have the right to receive 2.6125 shares (to be adjusted as described below) of Duke Energy common stock, par value \$0.001 per share, for each share of Progress Energy common stock, no par value per share, held at the time of the merger, with cash to be paid in lieu of any fractional shares (other than those held in Progress Energy's Stock Purchase and Dividend Reinvestment Plan). We will adjust this exchange ratio proportionately to reflect the 1-for-3 reverse stock split with respect to the issued and outstanding Duke Energy common stock that Duke Energy plans to implement prior to, and conditioned on, the completion of the merger. The resulting adjusted exchange ratio will be 0.87083 of a share of Duke Energy common stock for each share of Progress Energy common stock. Each outstanding option to acquire, and each outstanding equity award relating to, one share of Progress Energy common stock will be converted into an option to acquire, or an equity award relating to, 2.6125 shares of Duke Energy common stock, as applicable, as adjusted for the reverse stock split as described above. Based on the number of shares of common stock of Duke Energy and Progress Energy outstanding on [ ], 2011, the record date for the two companies' special meetings of shareholders, and after giving effect to the reverse stock split, Duke Energy expects to issue approximately [ ] shares of Duke Energy common stock to Progress Energy shareholders. Based on these numbers, upon the completion of the merger, Duke Energy shareholders and former Progress Energy shareholders would own approximately [ ]% and [ ]% of the common stock of Duke Energy, respectively, which shares of Duke Energy common stock will be listed on the New York Stock Exchange.

Duke Energy and Progress Energy will each hold a special meeting of shareholders to consider the proposed merger. We cannot complete the merger unless the shareholders of both Duke Energy and Progress Energy approve the respective proposals related to the merger. Your vote is very important, regardless of the number of shares you own. **Whether or not you expect to attend your company's special meeting in person, please vote your shares as promptly as possible by (1) accessing the Internet website specified on your proxy card, (2) calling the toll-free number specified on your proxy card or (3) signing all proxy cards that you receive and returning them in the postage-paid envelopes provided, so that your shares may be represented and voted at the Duke Energy or Progress Energy special meeting, as applicable. You may revoke your proxy at any time before the vote at the special meeting by following the procedures outlined in the accompanying joint proxy statement/prospectus.**

We look forward to the successful combination of Duke Energy and Progress Energy.

Sincerely,

James E. Rogers

Chairman, President and Chief Executive Officer

Sincerely,

William D. Johnson

Chairman, President and Chief Executive Officer

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Duke Energy Corporation

Progress Energy, Inc.

The obligations of Duke Energy and Progress Energy to complete the merger are subject to the satisfaction or waiver of several conditions set forth in the merger agreement. More information about Duke Energy, Progress Energy, the special meetings, the merger agreement and the merger is contained in the accompanying joint proxy statement/prospectus. **Duke Energy and Progress Energy encourage you to read the entire joint proxy statement/prospectus carefully, including the section entitled RISK FACTORS beginning on page 19.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the merger and other transactions described in the joint proxy statement/prospectus, nor have they approved or disapproved the issuance of the Duke Energy common stock in connection with the merger, or determined if the joint proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

This document is dated [            ], 2011, and is first being mailed to the shareholders of Duke Energy and Progress Energy on or about [            ], 2011.

**Table of Contents**

**DUKE ENERGY CORPORATION**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON [        ], 2011**

To the Shareholders of Duke Energy Corporation:

We will hold a special meeting of the shareholders of Duke Energy Corporation on [        ], 2011 at [        ], Eastern time, in the O.J. Miller Auditorium in the Energy Center located at 526 South Church Street in Charlotte, North Carolina 28202, to consider and vote upon:

- (i) a proposal to approve the amendment of the amended and restated certificate of incorporation of Duke Energy Corporation to provide for a 1-for-3 reverse stock split with respect to the issued and outstanding Duke Energy common stock in connection with the merger contemplated by the Agreement and Plan of Merger, dated as of January 8, 2011, by and among Duke Energy Corporation, Diamond Acquisition Corporation, a wholly-owned subsidiary of Duke Energy Corporation, and Progress Energy, Inc., a copy of which is included as Annex A to the joint proxy statement/prospectus attached to this notice, as such agreement may be amended from time to time and which we refer to as the merger agreement, subject to the Duke Energy board of directors' authority to not complete such amendment if the merger agreement is terminated or the merger is otherwise abandoned (we refer to this proposal as the reverse stock split proposal );
  - (ii) a proposal to approve the issuance of Duke Energy common stock, par value \$0.001 per share, to Progress Energy, Inc. shareholders in connection with the merger contemplated by the merger agreement (we refer to this proposal as the share issuance proposal ); and
  - (iii) a proposal to adjourn the special meeting of the shareholders of Duke Energy, if necessary, to solicit additional proxies if there are not sufficient votes to approve either of the proposals above (we refer to this proposal as the Duke Energy adjournment proposal ).
- If Duke Energy and Progress Energy do not complete the merger, Duke Energy will not amend its amended and restated certificate of incorporation to effect the reverse stock split contemplated by the reverse stock split proposal, notwithstanding that Duke Energy's shareholders may have previously approved the reverse stock split proposal. Please refer to the attached joint proxy statement/prospectus and the merger agreement for further information with respect to the business to be transacted at the special meeting of Duke Energy shareholders. We expect to transact no other business at the special meeting, except for business properly brought before the special meeting.

Only holders of record of shares of Duke Energy common stock at the close of business on [        ], 2011, the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting. A list of these shareholders will be available for inspection by any Duke Energy shareholder, for any purpose germane to the Duke Energy special meeting, at such meeting.

We cannot complete the merger described in the joint proxy statement/prospectus unless (i) holders of at least a majority of all shares of Duke Energy common stock outstanding on the record date for the Duke Energy special meeting vote in favor of the reverse stock split proposal and (ii) holders of at least a majority of the shares of Duke Energy common stock voting on the share issuance proposal approve the proposal, provided that the total votes cast on the proposal (including abstentions) must represent a majority of the shares of Duke Energy common stock outstanding on the record date for the Duke Energy special meeting.

**Table of Contents**

The Duke Energy board of directors unanimously recommends that the Duke Energy shareholders vote **FOR** the reverse stock split proposal, the share issuance proposal and the Duke Energy adjournment proposal. For a discussion of interests of Duke Energy's directors and executive officers in the merger that may be different from, or in addition to, the interests of Duke Energy's shareholders generally, see disclosure included in the joint proxy/statement prospectus attached to this notice under the heading **The Merger Interests of Directors and Executive Officers in the Merger** Interests of Directors and Executive Officers of Duke Energy in the Merger. Whether or not you expect to attend the Duke Energy special meeting in person, please vote your shares as promptly as possible by (1) accessing the Internet website specified on your proxy card, (2) calling the toll-free number specified on your proxy card or (3) signing all proxy cards that you receive and returning them in the postage-paid envelopes provided, so that your shares may be represented and voted at the Duke Energy special meeting. If your shares are held in the name of a bank, broker or other fiduciary, please follow the instructions on the voting instruction form furnished by the record holder.

By Order of the Board of Directors,

Name: Marc E. Manly, Esq.  
Title: Group Executive, Chief Legal Officer and  
Corporate Secretary

Charlotte, North Carolina

[        ], 2011

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**Table of Contents**

**PROGRESS ENERGY, INC.**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON [        ], 2011**

To the Shareholders of Progress Energy, Inc.:

We will hold a special meeting of the shareholders of Progress Energy, Inc., on [        ], 2011 at [        ], Eastern time, in the Progress Energy Center for the Performing Arts located at 2 East South Street in Raleigh, North Carolina 27601, to consider and vote upon:

- (i) a proposal to approve the plan of merger contained in the Agreement and Plan of Merger, dated as of January 8, 2011, by and among Duke Energy Corporation, Diamond Acquisition Corporation, a wholly-owned subsidiary of Duke Energy Corporation, and Progress Energy, Inc., a copy of which is included as Annex A to the joint proxy statement/prospectus attached to this notice, as such agreement may be amended from time to time and which we refer to as the merger agreement, pursuant to which Diamond Acquisition Corporation will be merged with and into Progress Energy and each outstanding share of common stock of Progress Energy will be converted into the right to receive 2.6125 shares of common stock of Duke Energy, subject to adjustment to reflect the 1-for-3 reverse stock split with respect to the issued and outstanding Duke Energy common stock that Duke Energy plans to implement prior to, and conditioned on, the completion of the merger, resulting in an adjusted exchange ratio of 0.87083, with cash to be paid in lieu of any fractional shares other than those held in Progress Energy's Direct Stock Purchase and Dividend Reinvestment Plan (we refer to this proposal as the merger proposal); and
- (ii) a proposal to adjourn the special meeting of the shareholders of Progress Energy, if necessary, to solicit additional proxies if there are not sufficient votes to approve the merger proposal (we refer to this proposal as the Progress Energy adjournment proposal).

Based on the closing price of Duke Energy common stock on the New York Stock Exchange, or the NYSE, on January 7, 2011, the last trading day before the public announcement of the execution of the merger agreement, the 2.6125 exchange ratio (prior to adjustment for the reverse stock split) represented approximately \$46.48 in Duke Energy common stock for each share of Progress Energy common stock. Based on the closing price of Duke Energy common stock on the NYSE on May 10, 2011, the last practicable date before the date of this document, the unadjusted 2.6125 exchange ratio represented approximately \$49.66 in Duke Energy common stock for each share of Progress Energy common stock. If the proposals are accepted, and other conditions are met, Duke Energy shareholders will continue to own their existing shares of Duke Energy common stock, adjusted for the reverse stock split.

Please refer to the attached joint proxy statement/prospectus and the merger agreement for further information with respect to the business to be transacted at the special meeting of Progress Energy shareholders. We expect to transact no other business at the special meeting, except for business properly brought before the Progress Energy special meeting and any adjournment or postponement of the Progress Energy special meeting.

Only holders of record of shares of Progress Energy common stock at the close of business on [        ], 2011, the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting. A list of these shareholders will be available for inspection by any Progress Energy shareholder, for any purpose germane to the Progress Energy special meeting, at such meeting.

We cannot complete the merger described in the joint proxy statement/prospectus unless holders of at least a majority of all shares of Progress Energy common stock outstanding on the record date for the Progress Energy special meeting vote in favor of the merger proposal.

**Table of Contents**

The Progress Energy board of directors unanimously recommends that the Progress Energy shareholders vote **FOR** the merger proposal and the Progress Energy adjournment proposal. For a discussion of interests of Progress Energy's directors and executive officers in the merger that may be different from, or in addition to, the interests of Progress Energy's shareholders generally, see disclosure included in the joint proxy/statement prospectus attached to this notice under the heading **The Merger Interests of Directors and Executive Officers in the Merger Interests of Directors and Executive Officers of Progress Energy in the Merger**. Whether or not you expect to attend the Progress Energy special meeting in person, please vote your shares as promptly as possible by (1) accessing the Internet website specified on your proxy card, (2) calling the toll-free number specified on your proxy card or (3) signing all proxy cards that you receive and returning them in the postage-paid envelopes provided, so that your shares may be represented and voted at the Progress Energy special meeting. If your shares are held in the name of a bank, broker or other fiduciary, please follow the instructions on the voting instruction form furnished by the record holder.

Do not send any share certificates at this time. If we complete the merger, we will notify you of the procedures for exchanging Progress Energy share certificates for shares of Duke Energy Corporation.

By Order of the Board of Directors,

Name: John R. McArthur  
Title: Executive Vice President, General Counsel and  
Corporate Secretary

Raleigh, North Carolina

[        ], 2011

**Table of Contents**

**TABLE OF CONTENTS**

<u>QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETINGS</u>	v
<u>SUMMARY</u>	1
<u>The Companies</u>	1
<u>Risk Factors</u>	2
<u>The Merger</u>	2
<u>Recommendation of the Board of Directors of Duke Energy</u>	2
<u>Recommendation of the Board of Directors of Progress Energy</u>	3
<u>Opinions of Financial Advisors</u>	3
<u>Interests of Directors and Executive Officers in the Merger</u>	4
<u>The Management of Duke Energy Following the Completion of the Merger</u>	6
<u>The Merger Agreement</u>	6
<u>Accounting Treatment</u>	9
<u>Material U.S. Federal Income Tax Consequences of the Reverse Stock Split</u>	9
<u>Material U.S. Federal Income Tax Consequences of the Merger</u>	9
<u>Regulatory Matters</u>	10
<u>Effect on Awards Outstanding Under Progress Energy Stock Plans</u>	11
<u>Legal Proceedings Related to the Merger</u>	11
<u>Comparison of Shareholder Rights</u>	11
<u>SELECTED HISTORICAL FINANCIAL DATA OF DUKE ENERGY</u>	12
<u>SELECTED HISTORICAL FINANCIAL DATA OF PROGRESS ENERGY</u>	13
<u>SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA</u>	14
<u>COMPARATIVE HISTORICAL AND UNAUDITED PRO FORMA PER SHARE FINANCIAL DATA</u>	15
<u>MARKET INFORMATION AND DIVIDENDS</u>	17
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	18
<u>RISK FACTORS</u>	20
<u>Risks Related to the Merger</u>	20
<u>Risks Related to Duke Energy and Progress Energy</u>	26
<u>THE COMPANIES</u>	27
<u>Duke Energy Corporation</u>	27
<u>Progress Energy, Inc.</u>	27
<u>Diamond Acquisition Corporation</u>	28
<u>THE DUKE ENERGY SPECIAL MEETING</u>	29
<u>General</u>	29
<u>Date, Time and Place of the Duke Energy Special Meeting</u>	29
<u>Purpose of the Duke Energy Special Meeting</u>	29
<u>Duke Energy Record Date; Shares Entitled to Vote</u>	29
<u>Quorum</u>	30
<u>Vote Required</u>	30
<u>Voting by Duke Energy's Directors and Executive Officers</u>	30
<u>Voting of Proxies</u>	31
<u>How to Vote</u>	31
<u>Participants in the Duke Energy Retirement Savings Plan, the Duke Energy Retirement Savings Plan for Legacy Cinergy Union Employees (Midwest) or the Duke Energy Retirement Savings Plan for Legacy Cinergy Union Employees (IBEW 1392)</u>	32
<u>Revoking Your Proxy</u>	32
<u>Other Voting Matters</u>	33
<u>Proxy Solicitations</u>	33
<u>Assistance</u>	33

**Table of Contents**

<b><u>PROPOSALS SUBMITTED TO DUKE ENERGY S SHAREHOLDERS</u></b>	34
<u>The Reverse Stock Split Proposal</u>	34
<u>The Share Issuance Proposal</u>	37
<u>The Duke Energy Adjournment Proposal</u>	38
<u>Other Business</u>	38
<b><u>THE PROGRESS ENERGY SPECIAL MEETING</u></b>	39
<u>General</u>	39
<u>Date, Time and Place of the Progress Energy Special Meeting</u>	39
<u>Purpose of the Progress Energy Special Meeting</u>	39
<u>Progress Energy Record Date; Outstanding Shares; Shares Entitled to Vote</u>	39
<u>Quorum</u>	40
<u>Vote Required</u>	40
<u>Voting by Progress Energy s Directors and Executive Officers</u>	40
<u>Voting of Proxies</u>	40
<u>How to Vote</u>	41
<u>Participants in the Progress Energy 401(k) Savings &amp; Stock Ownership Plan</u>	41
<u>Participants in the Savings Plan for Employees of Florida Progress Corporation</u>	42
<u>Revoking Your Proxy</u>	42
<u>Other Voting Matters</u>	42
<u>Proxy Solicitations</u>	42
<u>Assistance</u>	43
<b><u>PROPOSALS SUBMITTED TO PROGRESS ENERGY S SHAREHOLDERS</u></b>	44
<u>The Merger Proposal</u>	44
<u>The Progress Energy Adjournment Proposal</u>	44
<u>Other Business</u>	44
<b><u>THE MERGER</u></b>	45
<u>General Description of the Merger</u>	45
<u>Background of the Merger</u>	45
<u>Duke Energy s Reasons for the Merger and Recommendation of Duke Energy s Board of Directors</u>	58
<u>Opinions of Financial Advisors to Duke Energy</u>	64
<u>Progress Energy s Reasons for the Merger and Recommendation of Progress Energy s Board of Directors</u>	79
<u>Opinions of Financial Advisors to Progress Energy</u>	85
<u>Interests of Directors and Executive Officers in the Merger</u>	106
<u>Continuing Board and Management Positions</u>	111
<u>Indemnification and Insurance</u>	112
<u>Listing of Duke Energy Common Stock</u>	113
<u>Dividends</u>	113
<u>Material U.S. Federal Income Tax Consequences of the Merger</u>	113
<u>Legal Proceedings</u>	115
<u>Accounting Treatment</u>	117
<u>Dissenters or Appraisal Rights of Progress Energy Shareholders</u>	117
<u>Principal Corporate Offices</u>	117
<u>Effect on Awards Outstanding Under Progress Energy Stock Plans</u>	117
<u>Resale of Duke Energy Common Stock</u>	118
<b><u>REGULATORY MATTERS</u></b>	119
<u>Hart-Scott-Rodino Antitrust Improvements Act</u>	119
<u>Federal Power Act</u>	119
<u>Atomic Energy Act</u>	120
<u>Federal Communications Commission</u>	121
<u>State Regulatory Approvals</u>	121

**Table of Contents**

<u>THE MERGER AGREEMENT</u>	123
<u>The Merger and the Reverse Stock Split</u>	123
<u>Timing of Closing and Effective Time</u>	124
<u>Merger Consideration</u>	124
<u>Exchange Procedures and Related Matters</u>	125
<u>Board of Directors of Duke Energy and Its Committees After the Merger</u>	126
<u>Conditions to the Completion of the Merger</u>	126
<u>Required Statutory Approvals</u>	127
<u>Termination of the Merger Agreement</u>	128
<u>Termination Fees; Reimbursement of Expenses</u>	129
<u>No Solicitation</u>	131
<u>Changes in Board Recommendation</u>	131
<u>Other Expenses</u>	133
<u>Transition Committee</u>	133
<u>Coordination of Dividends</u>	134
<u>Charitable Contributions</u>	134
<u>Amendment; Extension and Waiver</u>	134
<u>Employee Benefit Matters</u>	135
<u>Representations and Warranties</u>	136
<u>Covenants of Duke Energy and Progress Energy</u>	137
<u>UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL INFORMATION</u>	140
<u>DUKE ENERGY CORPORATION AND PROGRESS ENERGY, INC. UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED STATEMENT OF OPERATIONS</u>	142
<u>DUKE ENERGY CORPORATION AND PROGRESS ENERGY, INC. UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED BALANCE SHEET</u>	144
<u>NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL STATEMENTS</u>	145
<u>UNAUDITED FINANCIAL FORECASTS</u>	152
<u>Unaudited Financial Forecasts of Duke Energy</u>	153
<u>Unaudited Financial Forecasts of Progress Energy</u>	153
<u>HISTORICAL MARKET PRICES AND DIVIDEND INFORMATION</u>	155
<u>COMPARISON OF SHAREHOLDER RIGHTS</u>	156
<u>LEGAL MATTERS</u>	169
<u>EXPERTS</u>	169
<u>DATES FOR SUBMISSION OF SHAREHOLDER PROPOSALS FOR 2012 ANNUAL MEETINGS</u>	169
<u>Duke Energy</u>	169
<u>Progress Energy</u>	170
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	170

ANNEXES

Annex A	<u>Agreement and Plan of Merger</u>
Annex B	<u>Opinion of J.P. Morgan Securities LLC</u>
Annex C	<u>Opinion of Merrill Lynch, Pierce, Fenner &amp; Smith Incorporated</u>
Annex D	<u>Opinion of Lazard Frères &amp; Co. LLC</u>
Annex E	<u>Opinion of Barclays Capital Inc.</u>
Annex F	<u>Form of Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Duke Energy Corporation</u>

**Table of Contents**

**ADDITIONAL INFORMATION**

This document incorporates important business and financial information about Duke Energy and Progress Energy from other documents that we have not included in or delivered with this document. This information is available for you to read and copy at the Securities and Exchange Commission's Public Reference Room located at 100 F Street, N.E., Room 1580, Washington, DC 20549, and through the SEC's website, [www.sec.gov](http://www.sec.gov). You can also obtain those documents incorporated by reference into this document free of charge by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

**Duke Energy Corporation**

shareholders should contact

Georgeson Inc.

199 Water Street, 26th Floor

New York, New York 10038

Shareholders call toll free: (800) 509-0984

Banks and brokers call collect: (212) 440-9800

**Progress Energy, Inc.**

shareholders should contact

Innisfree M&A Incorporated

501 Madison Avenue, 20th floor

New York, New York 10022

Shareholders call toll-free: (877) 750-9499

Banks and brokers call collect: (212) 750-5833

Investors may also consult Duke Energy's or Progress Energy's websites for more information concerning the merger described in this document. Duke Energy's website is [www.duke-energy.com](http://www.duke-energy.com). Progress Energy's website is [www.progress-energy.com](http://www.progress-energy.com). Information included on these websites is not incorporated by reference into this document.

**If you would like to request documents, please do so by [ ], 2011 in order to receive them before the special meetings.**

For more information, see "Where You Can Find More Information" beginning on page [ ].

**VOTING BY INTERNET, TELEPHONE OR MAIL**

***Duke Energy shareholders of record may submit their proxies by:***

*Internet.* You can vote over the Internet by accessing the website shown on your proxy card and following the instructions on the website. Internet voting is available 24 hours a day.

*Telephone.* You can vote by telephone by calling the toll-free number shown on your proxy card. Telephone voting is available 24 hours a day.

*Mail.* You can vote by mail by completing, signing, dating and mailing your proxy card(s) in the postage-paid envelope included with this document.

***Progress Energy shareholders of record may submit their proxies by:***

*Internet.* You can vote over the Internet by accessing the website shown on your proxy card and following the instructions on the website. Internet voting is available 24 hours a day.

*Telephone.* You can vote by telephone by calling the toll-free number shown on your proxy card. Telephone voting is available 24 hours a day.

*Mail.* You can vote by mail by completing, signing, dating and mailing your proxy card(s) in the postage-paid envelope included with this document.

***If you are not the holder of record:***

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



**Table of Contents**

**QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETINGS**

*The following are answers to some questions that you, as a shareholder of Duke Energy Corporation or Progress Energy, Inc., may have regarding the merger and the other matters being considered at the special meeting of Duke Energy shareholders and at the special meeting of Progress Energy shareholders. Duke Energy and Progress Energy urge you to read carefully this entire document because the information in this section does not provide all the information that might be important to you with respect to the merger and the other matters being considered at the special meetings. We also include additional important information in the annexes to and the documents incorporated by reference into this document.*

**Q: Why am I receiving this document?**

A: The Duke Energy and Progress Energy boards of directors are using this document to solicit proxies of Duke Energy and Progress Energy shareholders in connection with the merger agreement and the merger. In addition, we are using this document as a prospectus for Progress Energy shareholders because Duke Energy is offering shares of its common stock to be issued in exchange for shares of Progress Energy common stock in the merger.

In order to complete the merger, Duke Energy shareholders must vote to approve (i) an amendment to the amended and restated certificate of incorporation of Duke Energy providing for a 1-for-3 reverse stock split with respect to the issued and outstanding Duke Energy common stock prior to, and conditioned on, the completion of the merger and (ii) the issuance of new shares of Duke Energy common stock in connection with the merger. In addition, in order to complete the merger, Progress Energy shareholders must vote to approve the merger agreement.

Duke Energy and Progress Energy will hold separate special meetings of shareholders to obtain these approvals. This document contains important information about the merger agreement, the merger and the special meetings of the shareholders of Duke Energy and Progress Energy, and you should read it carefully. The enclosed voting materials allow you to vote your shares without attending your respective meetings in person.

Your vote is important. We encourage you to vote as soon as possible.

**Q: When and where are the meetings of the shareholders?**

A: The special meeting of Duke Energy shareholders will take place at [ ] a.m., Eastern time, on [ ], 2011, in the O.J. Miller Auditorium located at 526 South Church Street, Charlotte, North Carolina 28202.

The special meeting of Progress Energy shareholders will take place at [ ] a.m., Eastern time, on [ ], 2011, in the Progress Energy Center for the Performing Arts located at 2 East South Street in Raleigh, North Carolina 27601.

We provide additional information relating to the Duke Energy and Progress Energy special meetings on pages [ ] and [ ] respectively.

**Q: Who can vote at the special meetings?**

A: If you are a Duke Energy shareholder of record as of the close of business on [ ], the record date for the Duke Energy special meeting, you are entitled to receive notice of and to vote at the Duke Energy special meeting.

If you are a Progress Energy shareholder of record as of the close of business on [ ], the record date for the Progress Energy special meeting, you are entitled to receive notice of and to vote at the Progress Energy special meeting.



## **Table of Contents**

### **Q: How do I vote?**

A: If you are a shareholder of record of Duke Energy as of the record date for the Duke Energy special meeting or a shareholder of record of Progress Energy as of the record date for the Progress Energy special meeting, you may vote by:

accessing the Internet website specified on your proxy card;

calling the toll-free number specified on your proxy card; or

signing the enclosed proxy card and returning it in the postage-paid envelope provided.

You may also cast your vote in person at your respective company's special meeting. If you hold Duke Energy common stock or Progress Energy common stock in street name through a bank, broker or other nominee, please follow the voting instructions provided by your bank, broker or other nominee to ensure that your shares are represented at your special meeting. Shareholders that hold shares through a bank, broker, custodian or other record holder who wish to vote at the meeting will need to obtain a legal proxy from their bank, broker or other nominee.

### **Q: What will happen in the proposed merger?**

A: Prior to entering into the merger agreement, Duke Energy formed a new North Carolina corporation, Diamond Acquisition Corporation. If we complete the merger, Diamond Acquisition Corporation will merge with and into Progress Energy, as a result of which Progress Energy will become a wholly-owned subsidiary of Duke Energy.

We provide additional information on the merger under the heading "The Merger," beginning on page [ ].

### **Q: What will I receive for my shares?**

A: Upon completion of the merger, each share of Progress Energy common stock that you own immediately prior to the completion of the merger will be converted into the right to receive 0.87083 of a share of Duke Energy common stock together with cash in lieu of fractional shares (other than shares held in Progress Energy's Direct Stock Purchase and Dividend Reinvestment Plan, or the Progress Energy dividend reinvestment plan). This is equal to the exchange ratio provided in the merger agreement adjusted to reflect the reverse stock split that is discussed below. The exchange ratio will not be adjusted as a result of any changes in the trading prices of Duke Energy common stock or Progress Energy common stock. Each outstanding option to acquire, and each outstanding equity award relating to, one share of Progress Energy common stock will be converted into an option to acquire, or an equity award relating to, 0.87083 of a share of Duke Energy common stock, as applicable. Each share of Duke Energy common stock that you own immediately prior to the completion of the merger will be adjusted for the reverse stock split if the merger is completed. We provide additional information on the consideration to be received in the merger under the heading "The Merger Agreement Merger Consideration," beginning on page [ ], and additional information on the reverse stock split under the heading "Proposals Submitted to Duke Energy's Shareholders The Reverse Stock Split Proposal," beginning on page [ ].

### **Q: What is the reverse stock split?**

A: Duke Energy is proposing that the Duke Energy shareholders approve an amendment to Duke Energy's amended and restated certificate of incorporation providing for a 1-for-3 reverse stock split with respect to the issued and outstanding Duke Energy common stock in connection with the merger. If the Duke Energy shareholders approve this reverse stock split proposal and the reverse stock split is

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effected, then every three issued and outstanding shares of Duke Energy common stock would be combined and reclassified into one share of Duke Energy common stock. Immediately following the reverse stock split, each Duke Energy shareholder will own a reduced number of shares of Duke Energy common stock. The reverse stock split will happen at the same time for every Duke Energy shareholder, will affect every Duke Energy shareholder

**Table of Contents**

uniformly and will not change any Duke Energy shareholder's percentage ownership interest or relative voting rights in Duke Energy (other than to the extent that the reverse stock split would result in any Duke Energy shareholder owning a fractional share, because cash will be paid in lieu of fractional shares other than those held in participant accounts under the Duke Energy Investor/Direct Choice Plan, which we refer to as the Duke Energy dividend reinvestment plan). The reverse stock split would not change the number of authorized shares of Duke Energy common stock. As we explain below, while there can be no assurance as to Duke Energy's future valuation or stock price, the reverse stock split should not in itself change the overall valuation of Duke Energy, the value of a Duke Energy shareholder's investment or the value of the consideration Progress Energy shareholders expect to receive in the merger.

**Q: Why is Duke Energy doing a reverse stock split?**

A: The reverse stock split will ensure that Duke Energy has a sufficient number of authorized shares of Duke Energy common stock to complete the merger.

**Q: What is the impact on the Duke Energy shareholder from the reverse stock split?**

A: It is important to remember that this action should NOT affect the value of your ownership in Duke Energy. When the 1-for-3 reverse stock split occurs, Duke Energy's stock price, dividends and earnings per share should all increase by a factor of three. The following is an illustrative example for a shareholder owning 300 shares of Duke Energy common stock prior to the Duke Energy reverse stock split.

	<b>Pre-split</b>	<b>Post-split</b>
Number of shares	300	100
Illustrative share price	\$ 18	\$ 54
Investment value	\$ 5,400	\$ 5,400
Illustrative dividends per share	\$ 1	\$ 3
Dividends received	\$ 300	\$ 300

We cannot guarantee that the Duke Energy reverse stock split will proportionately increase the market price of Duke Energy common stock. Further, the Duke Energy board of directors, in its sole discretion, may change the company's dividend policy in the future. In the Duke Energy reverse stock split, Duke Energy expects to pay cash in lieu of any fractional shares other than those held in the Duke Energy dividend reinvestment plan.

**Q: For the Progress Energy shareholder, what is the impact of the Duke Energy reverse stock split?**

A: You will receive one-third of the number of Duke Energy shares in the transaction that you would have received on a pre-split basis; however, those shares should be valued at a price per share that is three times greater. Please see the illustrative example above, and note that we cannot assure you that the market price of Duke Energy common stock will increase in proportion to the Duke Energy reverse stock split, or that Duke Energy will maintain the same dividend policy in the future.

**Q: How was the adjusted exchange ratio of 0.87083 of a share of Duke Energy common stock for each share of Progress Energy common stock derived?**

A: The merger agreement provides that, in the event of a 1-for-3 reverse stock split, the exchange ratio of 2.6125 shares of Duke Energy common stock for each share of Progress Energy common stock will be divided by three, resulting in an adjusted exchange ratio of 0.87083 of a share of Duke Energy common stock for each share of Progress Energy common stock.



**Table of Contents**

**Q: Why have Duke Energy and Progress Energy decided to merge?**

A: Duke Energy and Progress Energy believe that the combination will provide substantial strategic and financial benefits to their shareholders, employees and customers. We expect these benefits will include:

increased financial strength and flexibility;

customer benefits in North Carolina and South Carolina from savings related to fuel and joint dispatch of the combined entity's generation base;

efficiencies to help Duke Energy mitigate future rate increases for the combined entity's customers;

other non-fuel related efficiencies from the leveraging of operational and customer service best practices that Duke Energy and Progress Energy believe will lower costs and increase service levels to customers;

a larger, more diverse and better positioned regulated utility business;

a stronger position to build new nuclear generating facilities, which we believe utilities located in the southeast United States will need to consider undertaking to comply with the requirements of future carbon emission restrictions and other environmental legislation; and

an enhanced ability to grow the regulated business, provide consistent and predictable earnings and cash flows, support dividend payments and maintain balance sheet strength.

We include additional information on the reasons for the merger and other factors considered by the Duke Energy and Progress Energy boards of directors under the headings "The Merger" Duke Energy's Reasons for the Merger and Recommendation of Duke Energy's Board of Directors and "Progress Energy's Reasons for the Merger and Recommendation of Progress Energy's Board of Directors," beginning on pages [ ] and [ ] respectively.

**Q: What will Jim Rogers' role be with Duke Energy following completion of the merger? What will Bill Johnson's role be?**

A: Duke Energy and Progress Energy have agreed that Mr. Rogers will serve as executive chairman of the board of directors of Duke Energy and Mr. Johnson will serve as president and chief executive officer of Duke Energy following the completion of the merger.

We provide additional information on the senior management of Duke Energy following the completion of the merger under the heading "The Merger" Continuing Board and Management Positions, beginning on page [ ].

**Q: Who will serve on the board of directors of Duke Energy following the completion of the merger?**

A: The merger agreement provides that Duke Energy will increase the size of its board of directors to 18 directors upon completion of the merger. The board will consist of 11 designees of Duke Energy and seven designees of Progress Energy. Duke Energy expects that each of

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its 11 current directors, including Mr. Rogers, will continue serving on its board upon the completion of the merger, subject to such individuals' ability and willingness to serve. Progress Energy expects that the following current members of the Progress Energy board of directors will serve on the board of directors of Duke Energy, subject to such individuals' ability and willingness to serve: Mr. Johnson, John D. Baker II, Harris E. DeLoach, Jr., James B. Hyler, Jr., E. Marie McKee, Carlos A. Saladrigas and Theresa M. Stone. Standing committees of the board of directors of Duke Energy will consist of each of Duke Energy's existing standing committees with the addition of a Regulatory Policy and Operations Committee. The merger agreement provides that Duke Energy will designate an individual to serve as the lead independent director of Duke Energy, following reasonable consultation with Progress Energy and subject to such individual's ability and willingness to serve.

We provide additional information on the board of directors of Duke Energy following the completion of the merger under the heading "The Merger - Continuing Board and Management Positions," beginning on page [ ].

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**Table of Contents**

**Q: Where will Duke Energy be headquartered following the completion of the merger?**

A: Duke Energy will maintain its current headquarters in Charlotte, North Carolina, following the completion of the merger. Duke Energy will also maintain substantial operations in Raleigh, North Carolina.

**Q: What vote is required to approve the merger?**

A: In order to complete the merger,

the merger proposal must be approved by the holders of at least a majority of the outstanding shares of Progress Energy common stock;

the share issuance proposal must be approved by the holders of at least a majority of the shares of Duke Energy common stock voting on that proposal, provided that a majority of the outstanding shares of Duke Energy common stock vote on that proposal; and

the reverse stock split proposal must be approved by the holders of at least a majority of the outstanding shares of Duke Energy common stock.

Each of the shareholder approvals listed above must be obtained to complete the merger. If you are a Duke Energy shareholder and fail to vote, it will have the same effect as a vote against the reverse stock split proposal that is required to complete the merger. If you are a Progress Energy shareholder and fail to vote, it will have the same effect as a vote against the merger proposal that is required to complete the merger. Your vote is important.

As of [ ], 2011, the record date for the special meetings of shareholders of Duke Energy and Progress Energy, less than [ ]% of the outstanding shares of Duke Energy common stock were owned by the directors and executive officers of Duke Energy, and less than [ ]% of the outstanding shares of Progress Energy common stock were owned by the directors and executive officers of Progress Energy.

We provide additional information on the shareholder approvals required to complete the merger under the headings The Duke Energy Special Meeting and The Progress Energy Special Meeting, beginning on pages [ ] and [ ] respectively.

**Q: If I hold my shares in street name through my broker, will my broker vote my shares for me?**

A: If you hold your shares in a stock brokerage account or through a bank or other nominee (that is, in street name), you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by your broker or other nominee. You may not vote shares held in street name by returning a proxy card directly to Duke Energy or Progress Energy or by voting in person at your special meeting unless you provide a legal proxy, which you must obtain from your broker or other nominee. Further, brokers who hold shares of Duke Energy common stock or Progress Energy common stock on behalf of their customers may not give a proxy to Duke Energy or Progress Energy to vote those shares without specific instructions from their customers.

If you are a Duke Energy shareholder and you do not instruct your broker on how to vote your shares, your broker may not vote your shares on the proposals to approve the reverse stock split, to approve the share issuance proposal or to approve the Duke Energy adjournment proposal. We refer to this as a broker non-vote. For a Duke Energy shareholder, a broker non-vote:

will have the same effect as a vote against the reverse stock split proposal;

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will have no effect on the share issuance proposal, but may make it more difficult to meet the NYSE requirement that the total votes cast on such proposal (including abstentions) represent a majority of the shares of Duke Energy common stock outstanding as of the Duke Energy record date; and

will have no effect on the Duke Energy adjournment proposal.

## **Table of Contents**

If you are a Progress Energy shareholder and you do not instruct your broker on how to vote your shares, your broker may not vote your shares on the merger proposal or the Progress Energy adjournment proposal. For a Progress Energy shareholder, a broker non-vote:

will have the same effect as a vote against the merger proposal; and

will have no effect on the Progress Energy adjournment proposal.

### **Q: What will happen to my future dividends?**

A: During the period until the completion of the merger, the parties have agreed in the merger agreement that Progress Energy will not increase its \$0.62 per share regular quarterly cash dividend without the prior written consent of Duke Energy and Duke Energy may, without the consent of Progress Energy, increase its \$0.245 per share regularly quarterly cash dividend to \$0.25 per share commencing with the regular quarterly dividend that would be payable with respect to the second quarter of 2011 and to \$0.255 per share commencing with the regular quarterly dividend that would be payable with respect to the second quarter of 2012.

After the merger, we currently expect that Duke Energy will continue its dividend policy in effect at the time of the merger.

We provide additional information on Duke Energy's expected dividend policy under the heading "The Merger - Dividends," beginning on page [ ].

### **Q: What do I need to do now?**

A: After carefully reading and considering the information contained or incorporated by reference into this document, please vote your proxy by telephone or Internet, or by completing and signing your proxy card and returning it in the enclosed postage-paid envelope as soon as possible so that your shares may be represented at your special meeting. In order to ensure that your vote is recorded, please vote your proxy as instructed on your proxy card even if you currently plan to attend your special meeting in person. Please do not send in your share certificates now. If we complete the merger, (i) Duke Energy shareholders at the effective time of the reverse stock split will receive instructions as to what to do with their pre-reverse stock split Duke Energy share certificates and (ii) former Progress Energy shareholders will receive instructions as to what to do with their share certificates formerly representing Progress Energy common stock.

We provide additional information on voting procedures under the headings "The Duke Energy Special Meeting - How to Vote" and "The Progress Energy Special Meeting - How to Vote," beginning on pages [ ] and [ ] respectively.

### **Q: How will my proxy be voted?**

A: If you vote by telephone, by Internet, or by completing, signing, dating and returning your signed proxy card, your proxy will be voted in accordance with your instructions. If you sign, date, and send your proxy card and do not indicate how you want to vote on any particular proposal, we will vote your shares in favor of that proposal.

We provide additional information on voting procedures under the headings "The Duke Energy Special Meeting - Voting of Proxies" and "The Progress Energy Special Meeting - Voting of Proxies," beginning on pages [ ] and [ ] respectively.

### **Q: May I vote in person?**

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- A: Yes. If you are a shareholder of record of Duke Energy common stock or of Progress Energy common stock at the close of business on [ ], 2011, you may attend your special meeting and vote your shares in person, in lieu of submitting your proxy by telephone, Internet or returning your signed proxy card. If you hold your shares through a bank, broker, custodian or other record holder, you must provide a legal proxy at the special meeting, which you must obtain from your broker or other nominee.

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## **Table of Contents**

### **Q: What must I bring to attend my special meeting?**

A: Only shareholders of Duke Energy or Progress Energy, as the case may be, or their authorized representatives, may attend the special meeting. If you wish to attend your special meeting, bring your proxy or your voter information form. You must also bring photo identification. If you hold your shares through a bank, broker, custodian or other record holder, you must also bring proof of ownership such as the voting instruction form from your broker or other nominee, or an account statement.

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

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

### **Q: What do I do if I want to change my vote?**

A: Send a later-dated, signed proxy card so that we receive it prior to your company's special meeting or attend your company's special meeting in person and vote. You may also revoke your proxy card by sending a notice of revocation that we receive prior to your company's special meeting to your company's Corporate Secretary at the address under the heading "Summary The Companies" beginning on page [ ]. You may also change your vote by telephone or Internet. You may change your vote by using any one of these methods regardless of the procedure used to cast your previous vote.

We provide additional information on changing your vote under the headings "The Duke Energy Special Meeting Revoking Your Proxy" and "The Progress Energy Special Meeting Revoking Your Proxy," beginning on pages [ ] and [ ], respectively.

### **Q: As a participant in the Duke Energy Retirement Savings Plan, the Duke Energy Retirement Savings Plan for Legacy Cinergy Union Employees (Midwest) or the Duke Energy Retirement Savings Plan for Legacy Cinergy Union Employees (IBEW 1393), how do I vote shares held in my plan account?**

A: If you are a participant in any of these plans, you have the right to provide voting directions to the plan trustee, by submitting your proxy card, for those shares of Duke Energy common stock that are held by the plan and allocated to your account. Plan participant proxies are treated confidentially.

If you elect not to provide voting directions to the plan trustee, the plan trustee will vote the Duke Energy shares allocated to your plan account in the same proportion as those shares held by the plan for which the plan trustee has received voting directions from other plan participants. The plan trustee will follow participants' voting directions and the plan procedure for voting in the absence of voting directions, unless it determines that to do so would be contrary to the Employee Retirement Income Security Act of 1974, as amended. Because the plan trustee must process voting instructions from participants before the date of the Duke Energy special meeting, we urge you to deliver your instructions no later than [ ], 2011.

### **Q: As a participant in the Progress Energy 401(k) Savings & Stock Ownership Plan, how do I vote shares held in my plan account?**

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- A: If you are a participant in this plan, the plan trustee will vote the Progress Energy shares allocated to your plan account only if you execute and return your proxy card, or vote by telephone or via the Internet. Plan participants must provide voting instructions on or before 11:59 p.m. Eastern Daylight Time on [ ], 2011. Any Progress Energy shares allocated to your plan account for which voting instructions are not provided by this time will not be voted and this will have the same effect as being voted against the merger proposal.

**Table of Contents**

**Q: As a participant in the Savings Plan for Employees of Florida Progress Corporation, how do I vote shares held in my plan account?**

A: If you are a participant in this plan, the plan trustee will vote the Progress Energy shares allocated to your plan account when you execute and return your proxy card, or vote by telephone or via the Internet. Plan participants must provide voting instructions on or before 11:59 p.m. Eastern Daylight Time on [ ], 2011. If you do not give direction, your shares will be voted in proportion with how the shares held in the plan (for which the plan trustee has received voting directions from other plan participants) are voted and in the best interest of the plan.

**Q: Should I send in my share certificates now?**

A: No. If we complete the merger:

we will send Duke Energy shareholders at the effective time of the reverse stock split written instructions for exchanging certificates representing their pre-reverse stock split shares. We will issue the appropriate number of shares of Duke Energy common stock to you in uncertificated book-entry form unless the holder requests a physical certificate; and

we will send former shareholders of Progress Energy written instructions for exchanging their share certificates. We will issue shares of Duke Energy common stock to former holders of Progress Energy common stock in uncertificated book-entry form unless the holder requests a physical certificate.

**Q: When do you expect to complete the merger?**

A: The companies are targeting a closing by the end of 2011, although we cannot assure completion by any particular date. Completion of the merger is conditioned upon the approval of the merger-related matters by shareholders of both Duke Energy and Progress Energy, as well as other customary closing conditions, including the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. Other necessary regulatory approvals include: the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission, the North Carolina Utilities Commission, the South Carolina Public Service Commission, the Kentucky Public Service Commission and the Federal Communications Commission. Please see Regulatory Matters, beginning on page [ ].

**Q: Do I have dissenters or appraisal rights as a holder of Progress Energy common stock?**

A: No, dissenters rights under the North Carolina Business Corporation Act, also referred to as appraisal rights, will not be available to holders of Progress Energy common stock given the structure of the merger and the nature of the consideration that Progress Energy shareholders would receive.

**Q: How can I find more information about Duke Energy and Progress Energy?**

A: For more information about Duke Energy and Progress Energy, see the section of this document entitled Where You Can Find More Information, beginning on page [ ].



**Table of Contents**

**Q: Who can answer any questions I may have about the special meetings or the merger?**

A: Duke Energy and Progress Energy shareholders who have questions about the merger or the other matters to be voted on at the special meetings or desire additional copies of this document or additional proxy cards should contact:

**if you are a Duke Energy shareholder:**

Georgeson Inc.  
199 Water Street, 26th Floor  
New York, New York 10038  
Shareholders call toll free: (800) 509-0984  
Banks and brokers call collect: (212) 440-9800

**if you are a Progress Energy shareholder:**

Innisfree M&A, Incorporated  
501 Madison Avenue, 20th floor  
New York, New York 10022  
Shareholders call toll-free: (877) 750-9499  
Banks and brokers call collect: (212) 750-5833

**Table of Contents**

**SUMMARY**

**This summary highlights selected information contained in this document and may not contain all of the information that is important to you. For a more complete description of the merger agreement and the merger, and for other relevant information, you should carefully read this entire document and the other documents to which we have referred you. See **Where You Can Find More Information** beginning on page [ ]. We include page references to direct you to a more complete description of the topics presented in this summary.**

**The Companies**

***Duke Energy Corporation (see page [ ])***

526 South Church Street

Charlotte, North Carolina 28202

(704) 594-6200

Duke Energy, together with its subsidiaries, is a diversified energy company with both regulated and unregulated utility operations. Duke Energy supplies, delivers and processes energy for customers in the United States and selected international markets. Duke Energy's regulated utility operations consist of its U.S. franchised electric and gas segment, which owns approximately 27,000 megawatts of generating capacity and serves approximately four million customers located in five states in the southeast and midwest regions of the United States, representing a population of approximately 12 million people. Duke Energy's commercial power and international business segments own and operate diverse power generation assets in North America and Latin America, including a portfolio of renewable energy assets in the United States.

For the year ended December 31, 2010, Duke Energy had total revenues of \$14.3 billion and net income of \$1.3 billion. Duke Energy's consolidated assets as of December 31, 2010 were \$59.1 billion. Duke Energy's common stock is listed and trades on the NYSE under the symbol DUK.

***Progress Energy, Inc. (see page [ ])***

410 South Wilmington Street

Raleigh, North Carolina 27601

(919) 546-6111

Progress Energy is a public utility holding company primarily engaged in the regulated electric utility business. Progress Energy owns, directly or indirectly, all of the outstanding common stock of its utility subsidiaries, Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc., or Progress Energy Carolinas, and Florida Power Corporation d/b/a Progress Energy Florida, Inc., or Progress Energy Florida. Progress Energy's utility business has more than 22,000 megawatts of regulated electric generating capacity and serves approximately 3.1 million retail electric customers as well as other load-serving entities.

For the year ended December 31, 2010, Progress Energy had total revenues of \$10.2 billion and net income of \$863 million. Progress Energy's consolidated assets as of December 31, 2010 were \$33.1 billion. Progress Energy's common stock is listed and trades on the NYSE under the symbol PGN.

***Diamond Acquisition Corporation (see page [ ])***

Diamond Acquisition Corporation is a North Carolina corporation and a wholly-owned subsidiary of Duke Energy. Diamond Acquisition Corporation was formed on January 6, 2011, for the purpose of effecting the merger. Diamond Acquisition Corporation has not conducted any activities other than those incidental to its formation and the matters contemplated in the merger agreement.



## Table of Contents

### **Risk Factors**

Before deciding whether to vote for the proposals presented in this document, you should carefully consider all of the information contained in or incorporated by reference into this document, as well as the specific factors under the heading "Risk Factors" beginning on page [ ].

### **The Merger (see page [ ])**

Upon completion of the merger, Diamond Acquisition Corporation will merge with and into Progress Energy. Progress Energy will be the surviving corporation in the merger and will thereby become a wholly-owned subsidiary of Duke Energy.

In the merger, each outstanding share of Progress Energy common stock (other than certain shares owned by Progress Energy, Duke Energy, or Diamond Acquisition Corporation, which will be cancelled) will be converted into the right to receive shares of Duke Energy common stock, with cash to be paid in lieu of fractional shares (other than in respect of shares held in the Progress Energy dividend reinvestment plan). The merger agreement provides for an exchange ratio of 0.87083 of a share of Duke Energy common stock for each share of Progress Energy common stock, after giving effect to a 1-for-3 reverse stock split with respect to the Duke Energy common stock that Duke Energy plans to implement before the merger. Duke Energy shareholders will continue to own their existing shares of Duke Energy common stock, after adjustment for the reverse stock split.

Based on the number of shares of Duke Energy common stock and Progress Energy common stock outstanding on [ ], 2011, the record date for the two companies' special meetings of shareholders, existing Duke Energy shareholders would own approximately [ ]% of the common stock of Duke Energy and former Progress Energy shareholders would own approximately [ ]% of the common stock of Duke Energy upon the completion of the merger.

Upon completion of the merger, Mr. Rogers, the current chairman, president and chief executive officer of Duke Energy, will serve as the executive chairman of the board of directors of Duke Energy, and Mr. Johnson, the current chairman, president and chief executive officer of Progress Energy, will serve as the president and chief executive officer of Duke Energy, subject to their ability and willingness to serve. Both Mr. Rogers and Mr. Johnson would serve on the board of directors of Duke Energy upon completion of the merger, which at that time will be comprised of 18 members, with 11 members designated by Duke Energy and seven members designated by Progress Energy.

The combined company will maintain Duke Energy's current headquarters in Charlotte, North Carolina, following the completion of the merger. Duke Energy will also maintain substantial operations in Raleigh, North Carolina. Until the merger has received all necessary approvals and is completed, Duke Energy and Progress Energy will continue operating as separate entities. The companies are targeting to complete the merger by the end of 2011, subject to receipt of the necessary shareholder and regulatory approvals, although we cannot assure completion by any particular date.

### **Recommendation of the Board of Directors of Duke Energy (see page [ ])**

The Duke Energy board of directors unanimously recommends that the holders of Duke Energy common stock vote **FOR** the reverse stock split proposal, the share issuance proposal and the Duke Energy adjournment proposal.

For a more complete description of Duke Energy's reasons for the merger and the recommendation of the Duke Energy board of directors, see "The Merger - Duke Energy's Reasons for the Merger and Recommendation of Duke Energy's Board of Directors" beginning on page [ ]. For a discussion of interests of Duke Energy's directors and executive officers in the merger that may be different from, or in addition to, the

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## Table of Contents

interests of Duke Energy's shareholders generally, see *The Merger* Interests of Directors and Executive Officers in the Merger Interests of Directors and Executive Officers of Duke Energy in the Merger, beginning on page [ ].

### **Recommendation of the Board of Directors of Progress Energy (see page [ ])**

The Progress Energy board of directors unanimously recommends that the holders of Progress Energy common stock vote **FOR** the merger proposal and the Progress Energy adjournment proposal.

For a more complete description of Progress Energy's reasons for the merger and the recommendation of the Progress Energy board of directors, see *The Merger* Progress Energy's Reasons for the Merger and Recommendation of Progress Energy's Board of Directors beginning on page [ ]. For a discussion of interests of Progress Energy's directors and executive officers in the merger that may be different from, or in addition to, the interests of Progress Energy's shareholders generally, see *The Merger* Interests of Directors and Executive Officers in the Merger Interests of Directors and Executive Officers of Progress Energy in the Merger, beginning on page [ ].

### **Opinions of Financial Advisors**

#### *Opinions of Financial Advisors to Duke Energy (see page [ ])*

*Opinion of J.P. Morgan Securities LLC.* In connection with the execution of the merger agreement, the Duke Energy board of directors received an opinion, dated January 8, 2011, from Duke Energy's financial advisor, J.P. Morgan Securities LLC, or J.P. Morgan, as to the fairness, from a financial point of view and as of such date, to Duke Energy of the exchange ratio provided for in the merger agreement. For purposes of J.P. Morgan's opinion, the exchange ratio refers to the 2.6125 exchange ratio provided for in the merger agreement before adjustment for the Duke Energy reverse stock split that Duke Energy plans to effect prior to the completion of the merger as to which reverse stock split J.P. Morgan expressed no opinion. The full text of the written opinion of J.P. Morgan dated January 8, 2011, which sets forth, among other things, the assumptions made, procedures followed, matters considered, and qualifications and limitations on the opinion and the review undertaken by J.P. Morgan in connection with rendering its opinion, is included as Annex B to this document and is incorporated by reference herein in its entirety. You are encouraged to read the opinion and the description beginning on page [ ] carefully in their entirety. This summary and the description of the opinion beginning on page [ ] are qualified in their entirety by reference to the full text of the opinion. **J.P. Morgan provided its written opinion to the Duke Energy board of directors (in its capacity as such) in connection with and for purposes of its evaluation of the exchange ratio. J.P. Morgan's opinion was limited to the fairness, from a financial point of view, to Duke Energy of the exchange ratio in the merger agreement and J.P. Morgan expressed no opinion as to any other matter. The opinion does not constitute a recommendation to any shareholder as to how any shareholder should vote with respect to the merger or any other matter.**

*Opinion of BofA Merrill Lynch.* In connection with the execution of the merger agreement, Merrill Lynch, Pierce, Fenner & Smith Incorporated, or BofA Merrill Lynch, financial advisor to the Duke Energy board of directors, delivered to the Duke Energy board of directors at its meeting on January 8, 2011, an opinion as to the fairness, from a financial point of view and as of the date of the opinion, to Duke Energy of the exchange ratio provided for in the merger agreement. For purposes of BofA Merrill Lynch's opinion, the exchange ratio refers to the 2.6125 exchange ratio provided for in the merger agreement before adjustment for the Duke Energy reverse stock split that Duke Energy plans to effect prior to the completion of the merger, as to which reverse stock split BofA Merrill Lynch expressed no opinion. The full text of the written opinion of BofA Merrill Lynch, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken by BofA Merrill Lynch, is attached as Annex C to this document and is incorporated by reference herein in its entirety. You are encouraged to read the opinion and the description beginning on page [ ] carefully in their entirety. This summary and the description of the opinion beginning on page [ ] are qualified in

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**Table of Contents**

their entirety by reference to the full text of the opinion. **BofA Merrill Lynch provided its opinion to the Duke Energy board of directors (in its capacity as such) for the benefit and use of the Duke Energy board of directors in connection with and for purposes of its evaluation of the exchange ratio from a financial point of view. BofA Merrill Lynch's opinion does not address any other aspect of the merger and does not constitute a recommendation to any shareholder as to how to vote or act in connection with the merger or any other matter.**

*Opinions of Financial Advisors to Progress Energy (see page [ ])*

*Opinion of Lazard Frères & Co. LLC.* In connection with the execution of the merger agreement, on January 8, 2011, Lazard Frères & Co. LLC, or Lazard, delivered its opinion to the Progress Energy board of directors that, as of such date, and based upon and subject to the assumptions, procedures, factors, qualifications and limitations set forth therein, the exchange ratio was fair, from a financial point of view, to holders of Progress Energy common stock. For purposes of Lazard's opinion, the exchange ratio refers to the 2.6125 exchange ratio provided for in the merger agreement before adjustment for the Duke Energy reverse stock split that Duke Energy plans to effect prior to the completion of the merger, as to which reverse stock split Lazard expressed no opinion. The full text of Lazard's written opinion, dated January 8, 2011, which sets forth the assumptions made, procedures followed, factors considered and qualifications and limitations on the review undertaken by Lazard in connection with its opinion, is attached to this document as Annex D and is incorporated by reference herein in its entirety. You are encouraged to read Lazard's opinion and the description beginning on page [ ] carefully and in their entirety. This summary and the description of the opinion beginning on page [ ] are qualified in their entirety by reference to the full text of the opinion. **Lazard's opinion was directed to the Progress Energy board of directors for the information and assistance of the Progress Energy board of directors in connection with its evaluation of the merger and addressed only the fairness as of the date of the opinion, from a financial point of view, of the exchange ratio to holders of Progress Energy common stock. Lazard's opinion was not intended to, and does not, constitute a recommendation to any shareholder as to how such shareholder should vote or act with respect to the merger or any matter relating thereto.**

*Opinion of Barclays Capital Inc.* In connection with the execution of the merger agreement, on January 8, 2011, Barclays Capital Inc., or Barclays Capital, rendered its oral opinion (which Barclays Capital subsequently confirmed in writing) to the Progress Energy board of directors that, as of such date and based upon and subject to the qualifications, limitations and assumptions stated in its opinion, from a financial point of view, the exchange ratio was fair to shareholders of Progress Energy. The full text of Barclays Capital's written opinion, dated as of January 8, 2011, is attached as Annex E to this document and is incorporated by reference herein in its entirety. Barclays Capital's written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Barclays Capital in rendering its opinion. You are encouraged to read the opinion and the description beginning on page [ ] carefully and in their entirety. This summary and the description of the opinion beginning on page [ ] are qualified in their entirety by reference to the full text of the opinion. **Barclays Capital's opinion, the issuance of which was approved by Barclays Capital's fairness opinion committee, is addressed to the Progress Energy board of directors, addresses only the fairness, from a financial point of view, of the exchange ratio to the Progress Energy shareholders and does not constitute a recommendation to any shareholder of Progress Energy as to how such shareholder should vote with respect to the merger or any other matter.**

**Interests of Directors and Executive Officers in the Merger (see page [ ])**

*Duke Energy*

Some of Duke Energy's directors and executive officers have financial interests in the merger that may be different from, or in addition to, the interests of Duke Energy shareholders generally. The Duke Energy board of directors was aware of and considered these potential interests, among other matters, in evaluating and

## **Table of Contents**

negotiating the merger agreement and the merger, in approving the merger agreement and in recommending the approval of the reverse stock split proposal, the share issuance proposal and the Duke Energy adjournment proposal.

As provided in the merger agreement, at the completion of the merger, the Duke Energy board of directors will include 11 directors designated by Duke Energy and seven directors designated by Progress Energy. Mr. Rogers, the current chairman, president and chief executive officer of Duke Energy, will serve as the executive chairman of the Duke Energy board of directors upon the completion of the merger, subject to his ability and willingness to serve. The merger agreement also provides that certain executive officers of Duke Energy at the time the parties signed the merger agreement may continue to be executive officers of Duke Energy at the time the merger is completed. The continuing management of Duke Energy following completion of the merger is described under the heading *The Merger Continuing Board and Management Positions*, beginning on page [ ].

Please see *The Merger Interests of Directors and Executive Officers in the Merger Interests of Directors and Executive Officers of Duke Energy in the Merger* beginning on page [ ] for additional information about these interests.

### ***Progress Energy***

Progress Energy's directors and executive officers have financial interests in the merger that may be different from, or in addition to, the interests of Progress Energy's shareholders generally. The board of directors of Progress Energy was aware of and considered these potential interests, among other matters, in evaluating and negotiating the merger agreement and the merger, in adopting the merger agreement and in recommending the approval of the merger proposal and the Progress Energy adjournment proposal.

As provided in the merger agreement, at the completion of the merger, the Duke Energy board of directors will include seven directors designated by Progress Energy (after consultation with Duke Energy). Mr. Johnson, the current chairman, president and chief executive officer of Progress Energy, will serve as the president and chief executive officer of Duke Energy upon the completion of the merger, subject to his ability and willingness to serve. See *The Merger Continuing Board and Management Positions* beginning on page [ ]. In connection with the execution of the merger agreement, Duke Energy, Diamond Acquisition Corporation and Mr. Johnson executed a term sheet in which the parties agreed to enter into a new employment agreement.

Executive officers of Progress Energy will not receive any compensation solely on account of the completion of the merger. Outstanding options to purchase shares of Progress Energy common stock and outstanding awards of restricted stock, restricted stock units and performance shares will be converted into Duke Energy common stock options and other awards that will remain subject to the original vesting requirements under the applicable Progress Energy plan, i.e., the vesting of the options and other awards will not be accelerated on account of the completion of the merger. The outstanding annual incentive awards of executive officers of Progress Energy also will remain subject to the original vesting requirements and will remain subject to performance criteria. As soon as practicable after the completion of the merger, the compensation committee of the Duke Energy board of directors will adjust the original performance criteria for such awards as it determines is appropriate and equitable to reflect the merger, Progress Energy's performance prior to completion of the merger and the performance criteria of awards made to similarly situated Duke Energy employees.

Additionally, although each of Messrs. Johnson, Yates, Lyash, McArthur and Mulhern will be entitled to severance benefits under the Progress Energy Management Change-in-Control Plan, or the Progress Energy CIC Plan, if their employment is terminated without cause or they resign with good reason within 24 months after completion of the merger, certain provisions of Mr. Johnson's term sheet and letter agreement waivers executed by each of Messrs. Yates, Lyash, McArthur and Mulhern, among other things, limit the executives' eligibility to

## **Table of Contents**

receive those benefits. In addition, Mr. Johnson's term sheet provides for the waiver of his right to receive the excise tax gross-up otherwise payable under the Progress Energy CIC Plan on any severance payment he receives.

A member of the board of directors of Progress Energy is an employee of J.P. Morgan, which firm acted as financial advisor to Duke Energy with respect to the merger. Such member has informed the board of directors of Progress Energy that he did not have any involvement in J.P. Morgan's engagement with Duke Energy in connection with the merger, and that his compensation would not be directly related to that engagement.

Please see "The Merger - Interests of Directors and Executive Officers in the Merger - Interests of Directors and Executive Officers of Progress Energy in the Merger" beginning on page [ ] for additional information about these interests.

### **The Management of Duke Energy Following the Completion of the Merger (see page [ ])**

The merger agreement provides that William D. Johnson will serve as the president and chief executive officer of Duke Energy and James E. Rogers will serve as the executive chairman of the board of directors of Duke Energy, in each case as of the completion of the merger and subject to such individual's ability and willingness to serve.

The merger agreement also provides that, subject to such individuals' ability and willingness to serve, the following individuals will be the senior officers of Duke Energy upon completion of the merger:

Lynn J. Good, currently group executive and chief financial officer of Duke Energy, will continue as chief financial officer;

Dhiaa M. Jamil, currently group executive, chief generation officer and chief nuclear officer of Duke Energy, will lead nuclear generation;

Jeffrey J. Lyash, currently executive vice president of energy supply of Progress Energy, will lead energy supply;

Marc E. Manly, currently group executive, chief legal officer and corporate secretary of Duke Energy, will be general counsel and corporate secretary;

John R. McArthur, currently executive vice president, general counsel and corporate secretary of Progress Energy, will lead regulated utilities;

Mark F. Mulhern, currently senior vice president and chief financial officer of Progress Energy, will be chief administrative officer;

B. Keith Trent, currently group executive and president of commercial businesses of Duke Energy, will lead commercial businesses;

Jennifer L. Weber, currently group executive - human resources and corporate relations of Duke Energy, will lead human resources; and

Lloyd M. Yates, currently president and chief executive officer of Progress Energy Carolinas, will lead customer operations.

**The Merger Agreement (see page [ ])**

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We include the merger agreement as Annex A to this document. We encourage you to read carefully the merger agreement in its entirety. It is the principal document governing the merger and the other related transactions.

**Table of Contents**

*Conditions to the Completion of the Merger (see page [ ])*

We expect to complete the merger after all of the conditions to the merger in the merger agreement are satisfied or waived, including after Duke Energy and Progress Energy receive shareholder approvals at their respective special meetings of shareholders and receive all required regulatory approvals.

The obligation of each of Duke Energy and Progress Energy to complete the merger is subject to the satisfaction or waiver of a number of customary conditions, including the following:

the approval by Progress Energy shareholders of the merger proposal;

the approval by Duke Energy shareholders of the reverse stock split proposal and the share issuance proposal;

the absence of governmental action preventing the completion of the merger;

the effectiveness of the registration statement on Form S-4 of which this document is a part;

the approval for listing on the NYSE, subject to official notice of issuance, of the shares of Duke Energy common stock that will be issued pursuant to the merger agreement;