

CONSTELLATION ENERGY GROUP INC
Form PRER14A
November 24, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Required in Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No. 3)

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 Pursuant to § 240.14a-12

CONSTELLATION ENERGY GROUP, INC.

(Name of Registrant as Specified in Its Charter)

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

(1) Title of each class of securities to which transaction applies:

Common stock, without par value, of Constellation Energy Group, Inc.

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

179,274,673 shares of Common Stock; 274,360 shares of Common Stock related to other rights to receive Constellation Energy Common Stock and 41,410,354 performance units

(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):

Calculated solely for the purpose of determining the filing fee. The transaction valuation is determined based upon the sum of (A) 179,274,673 shares of Common Stock multiplied by \$26.50 per share, (B) 274,360 shares of Common Stock related to other rights to receive Constellation Energy Common Stock multiplied by \$26.50 per share and (C) 41,410,354 performance units multiplied by \$2.00 per unit. In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying 0.00003930 by the sum calculated in the preceding sentence.

(4) Proposed maximum aggregate value of transaction: **\$4,840,870,083**

(5) Total fee paid: **\$190,247**

Fee paid previously with preliminary materials: \$189,346.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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PRELIMINARY PROXY STATEMENT, SUBJECT TO COMPLETION DATED NOVEMBER 24, 2008

MAYO A. SHATTUCK III
Chairman of the Board

*Constellation Energy Group, Inc.
100 Constellation Way
Baltimore, Maryland 21202*

[], 2008

Dear Shareholder:

You are invited to attend a special meeting of Constellation Energy Group, Inc. shareholders to be held on [], 2008, starting at [], local time, at the Sky Lobby Conference Room, 750 East Pratt Street, Baltimore, Maryland.

At the special meeting, you will be asked to consider and vote upon a proposal to approve a merger pursuant to which Constellation Energy will merge with MEHC Merger Sub Inc., a wholly-owned subsidiary of MidAmerican Energy Holdings Company, and become a wholly-owned subsidiary of MidAmerican Energy Holdings Company. We entered into a merger agreement with MidAmerican on September 19, 2008. If the merger is approved and becomes effective, you will be entitled to receive \$26.50 in cash, without interest and less any applicable withholding taxes, for each share of Constellation Energy common stock owned by you immediately prior to the effective time of the merger, as more fully described in the accompanying proxy statement.

Constellation Energy's board of directors has approved and declared advisable the merger agreement, the merger and the other transactions contemplated by the merger agreement, determined that the merger and the other transactions contemplated by the merger agreement are fair to and in the best interests of Constellation Energy and its shareholders and resolved to recommend that Constellation Energy's shareholders vote in favor of the approval of the merger.

Accordingly, our board of directors recommends that you vote *FOR* the approval of the merger.

Your vote is very important, regardless of the number of shares of common stock you own. We cannot complete the merger unless the merger is approved by the affirmative vote of holders of a majority of the outstanding shares of Constellation Energy common stock entitled to vote at the special meeting. Failing to vote will have the same effect as voting against the merger. Whether or not you plan to attend the special meeting, please vote today by telephone, via the Internet or by signing, dating and returning the enclosed proxy card in the postage-paid envelope provided.

The accompanying proxy statement provides you with detailed information about the special meeting, the merger, the merger agreement and the other transactions contemplated by the merger agreement. Before voting, you should carefully review all the information contained in the accompanying proxy statement. **For a discussion of risk factors that you should consider in evaluating the merger, please see Risk Factors beginning on page 13 of the accompanying proxy statement.**

If you have any questions or need assistance in voting your shares, please call our proxy solicitor, Innisfree M&A Incorporated, toll free at (877) 717-3923.

Thank you in advance for your continued support and your consideration of this matter.

Sincerely,

Mayo A. Shattuck III

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

The accompanying proxy statement is dated [], 2008 and is first being mailed to shareholders on or about [], 2008.

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PRELIMINARY COPY

Constellation Energy Group, Inc.

100 Constellation Way

Baltimore, Maryland 21202

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To Be Held On [], 2008

To the Owners of Common Stock

of Constellation Energy Group, Inc.:

A special meeting of shareholders of Constellation Energy Group, Inc., a Maryland corporation, will be held on [], 2008, starting at [], local time, at the Sky Lobby Conference Room, 750 East Pratt Street, Baltimore, Maryland, for the following purposes:

1. to consider and vote on a proposal to approve the merger of MEHC Merger Sub Inc., a wholly-owned subsidiary of MidAmerican Energy Holdings Company, with and into Constellation Energy Group, Inc. as contemplated by the Agreement and Plan of Merger, dated as of September 19, 2008, by and among Constellation Energy Group, Inc., MidAmerican Energy Holdings Company, and MEHC Merger Sub Inc.;
2. to consider and vote on any proposal to adjourn or postpone the special meeting to a later date or time, if necessary or appropriate in the view of our board of directors, including to solicit additional proxies in favor of the proposal to approve the merger if there are insufficient votes at the time of such adjournment or postponement to approve the merger; and
3. to consider and vote on such other business as may properly come before the special meeting or any adjournments or postponements thereof.

Our board of directors has fixed the close of business on November 14, 2008 as the record date for the purpose of determining the shareholders who are entitled to receive notice of, and to vote at, the special meeting. All shareholders of record at the close of business on the record date are entitled to notice of and to attend and vote at the special meeting and any adjournment or postponement thereof. The vote of holders of our preferred stock is not required to approve the merger; accordingly, proxies are not being solicited from them.

Under Maryland law, Constellation Energy shareholders do not have the right to seek appraisal of the fair value of their shares in connection with the merger.

Our board of directors has approved and declared advisable the merger, the merger agreement and the other transactions contemplated by the merger agreement, determined that the merger and the other transactions contemplated by the merger agreement are fair to and in the best interests of Constellation Energy and its shareholders and resolved to recommend that Constellation Energy's shareholders vote in favor of the approval of the merger.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE MERGER AND FOR THE ADJOURNMENT OR POSTPONEMENT OF THE SPECIAL MEETING, IF NECESSARY OR APPROPRIATE IN THE VIEW OF OUR BOARD OF DIRECTORS, INCLUDING TO SOLICIT ADDITIONAL PROXIES IN FAVOR OF THE PROPOSAL TO APPROVE THE MERGER.

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Your vote is important. The approval of the merger requires the affirmative vote of holders of at least a majority of the outstanding shares of Constellation Energy common stock entitled to vote at the special meeting assuming a quorum is present. Therefore, your failure to vote in person at the special meeting or to submit a signed proxy card will have the same effect as a vote by you **AGAINST** the approval of the merger. If you make no specification on your properly executed proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted **FOR** the approval of the merger and **FOR** the adjournment or postponement of the special meeting, if necessary or appropriate in the view of our board of directors, including to solicit additional proxies in favor of the proposal to approve the merger. Even if you plan to attend the special meeting in person, we request that you vote today by telephone, via the Internet, or by signing, dating and returning the enclosed proxy card to ensure that your shares will be represented at the special meeting if you are unable to attend. If you have Internet access, we encourage you to record your vote via the Internet. If you hold your shares through a bank, broker or other custodian, you must obtain a legal proxy from such custodian in order to vote in person at the special meeting. If you attend the special meeting, you may revoke your proxy and vote in person if you wish, even if you have previously returned your proxy card. Your prompt attention is greatly appreciated.

Please note that space limitations make it necessary to limit attendance at the special meeting to shareholders as of the record date (or their authorized representatives). If you attend, please note that you may be asked to present valid photo identification. If your shares are held by a bank or broker, please bring to the special meeting your statement evidencing your beneficial ownership of Constellation Energy common stock.

By Order of the Board of Directors,

Charles A. Berardesco

Senior Vice President,

General Counsel and Corporate Secretary

Baltimore, Maryland

[], 2008

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SUMMARY TERM SHEET

*The following summary term sheet highlights material information in this proxy statement. We encourage you to read carefully this entire proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement. Each item in this summary term sheet includes a page reference directing you to a more complete description of that topic. See *Where You Can Find More Information* beginning on page 91.*

The Parties to the Merger (Page 25)

Constellation Energy Group, Inc. Constellation Energy is an energy company, which includes a merchant energy business and Baltimore Gas and Electric Company (which we refer to as BGE) a regulated electric and gas public utility in central Maryland. Constellation Energy's merchant energy business is a competitive provider of energy solutions for a variety of customers. It has electric generation assets located in various regions of the United States and provides energy solutions to meet customers' needs. Constellation Energy's merchant energy business focuses on serving the full energy and capacity requirements (load-serving) of, and providing other energy products and risk management services for, various customers. Constellation Energy was incorporated in Maryland in 1995, and in 1999 Constellation Energy became the holding company for BGE and its subsidiaries. BGE was incorporated in Maryland in 1906. Constellation Energy's principal executive offices are located at 100 Constellation Way, Baltimore, Maryland 21202. The telephone number is (410) 470-2800.

MidAmerican Energy Holdings Company. MidAmerican is a holding company that owns subsidiaries that are principally engaged in energy businesses. MidAmerican is a consolidated subsidiary of Berkshire Hathaway Inc. (which we refer to as Berkshire). The balance of MidAmerican's common stock is owned by a private investor group comprised of Mr. Walter Scott, Jr. (along with family members and related entities), who is a member of MidAmerican's Board of Directors, Mr. David L. Sokol, its Chairman, and Mr. Gregory E. Abel, its President and Chief Executive Officer. As of September 30, 2008, Berkshire, Mr. Scott (along with family members and related entities), Mr. Sokol and Mr. Abel owned 88.2%, 11.0%, % and 0.8%, respectively, of MidAmerican's voting common stock and held diluted ownership interests of 87.4%, 10.9%, 0.7% and 1.0% respectively.

MidAmerican's operations are organized and managed as eight distinct platforms. Through these platforms, MidAmerican owns and operates an electric utility company in the Western U.S., a combined electric and natural gas utility company in the Midwestern U.S., two interstate natural gas pipeline companies in the U.S., two electricity distribution companies in Great Britain, a diversified portfolio of independent power projects and the second-largest residential real estate brokerage firm in the U.S. MidAmerican's principal executive offices are located at 666 Grand Avenue, Suite 500, Des Moines, Iowa 50309-2580, and its telephone number is (515) 242-4300.

MEHC Merger Sub Inc. Merger Sub is a Maryland corporation and a wholly-owned subsidiary of MidAmerican. Merger Sub was formed solely for the purpose of facilitating MidAmerican's acquisition of Constellation Energy. Merger Sub has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the merger agreement. MidAmerican intends to transfer the ownership of Merger Sub to Constellation Energy Holdings LLC (which we refer to as Constellation Holdings) immediately prior to consummation of the merger. Constellation Holdings is a wholly-owned subsidiary of MidAmerican and has not carried on any activities to date, except for activities incidental to formation and activities undertaken in connection with the transactions contemplated by the merger agreement. It was formed solely for the purpose of owning Constellation Energy and facilitating such acquisition, including through the interposition of ring-fencing protections for Constellation Energy. Upon consummation of the proposed merger, Merger Sub will merge with and into Constellation Energy and will cease to exist, with Constellation Energy continuing as the surviving corporation. Merger Sub's address is c/o MidAmerican Energy Holdings Company, 666 Grand Avenue, Suite 500, Des Moines, Iowa 50309-2580. The telephone number is (515) 242-4300.

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The Merger (Page 73)

The Agreement and Plan of Merger, dated as of September 19, 2008, by and among Constellation Energy, MidAmerican and Merger Sub, provides that Merger Sub will merge with and into Constellation Energy. As a result of the merger, Constellation Energy will become a wholly-owned subsidiary of MidAmerican. Constellation Energy will be the surviving corporation in the merger and, following the merger, will continue to do business as Constellation Energy Group, Inc. In addition, following completion of the merger, the registration of Constellation Energy common stock and its reporting obligations with respect to such common stock under the Securities Exchange Act of 1934, as amended, or the Exchange Act, will be terminated upon application to the Securities and Exchange Commission, or the SEC. Upon completion of the proposed merger, shares of Constellation Energy common stock will no longer be listed on any stock exchange or quotation system, including the NYSE. However, Constellation Energy will continue to have reporting obligations under NYSE rules and the Exchange Act because its Series A Junior Subordinated Debentures are currently listed and traded on the NYSE. A copy of the merger agreement is attached to this proxy statement as Annex A.

Merger Consideration (Page 73)

If the merger is completed, each outstanding share of Constellation Energy common stock will be converted into the right to receive \$26.50 in cash, without interest and less any applicable withholding taxes. We refer to this amount in this proxy statement as the merger consideration. As a shareholder, you will be entitled to receive the merger consideration for each share of Constellation Energy common stock owned by you immediately prior to the effective time of the merger. Following the merger, you will no longer own any shares of the surviving corporation. If the merger is not approved, Constellation Energy will remain an independent public company and our common stock and our Series A Junior Subordinated Debentures will continue to be listed and traded on the NYSE.

Completion of the Merger (Page 73)

We are working toward completing the merger as quickly as possible, and we currently anticipate that it will be completed in the second quarter of 2009. However, we cannot predict the exact timing of the completion of the merger and whether the merger will be completed. In order to complete the merger, we must obtain shareholder approval and the other closing conditions under the merger agreement, including receipt of certain regulatory approvals, must be satisfied or, to the extent legally permitted, waived. For a discussion of the conditions to the completion of the merger and of the risks associated with the failure to satisfy such conditions, please see *The Merger Agreement Conditions to the Merger* beginning on page 83 and *Risk Factors* beginning on page 13.

Required Shareholder Approval (Page 22)

Proposal 1: The approval of the merger proposal requires the affirmative vote of holders of a majority of the outstanding shares of Constellation Energy common stock entitled to vote at the special meeting, assuming a quorum is present.

Proposal 2: Approval of any proposal to adjourn or postpone the special meeting, if necessary or appropriate in the view of our board of directors, including for the purpose of soliciting additional proxies in favor of the proposal to approve the merger, requires the affirmative vote of a majority of the votes cast by holders of shares of Constellation Energy common stock present in person or represented by proxy at the special meeting and entitled to vote on the matter, whether or not a quorum is present.

THE MERGER WILL NOT BE COMPLETED UNLESS, AMONG OTHER THINGS, THE CONSTELLATION ENERGY SHAREHOLDERS APPROVE THE MERGER. UNDER THE MERGER AGREEMENT, COMPLETION OF THE MERGER IS SUBJECT TO THE SATISFACTION (OR, IF LEGALLY PERMITTED, WAIVER) OF SPECIFIED CLOSING CONDITIONS. APPROVAL BY THE CONSTELLATION ENERGY SHAREHOLDERS OF THE MERGER PROPOSAL IS A CLOSING CONDITION WHICH MAY NOT BE WAIVED.

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Recommendation of Constellation Energy's Board of Directors (Page 44)

Our board of directors approved and declared advisable the merger agreement, the merger and the other transactions contemplated by the merger agreement, determined that the merger and the other transactions contemplated by the merger agreement are fair to and in the best interests of Constellation Energy and its shareholders and recommended that Constellation Energy's shareholders vote in favor of the approval of the merger. The board of directors recommends that our shareholders vote **FOR** the approval of the merger and, if the board of directors determines to adjourn or postpone the special meeting, **FOR** the adjournment or postponement of the special meeting in the view of our board of directors, including if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger.

Opinion of Constellation Energy's Financial Advisor (Page 46)

The board of directors received a written opinion, dated September 19, 2008, from its financial advisor, Morgan Stanley & Co. Incorporated (which we refer to as Morgan Stanley) to the effect that, as of the date of its opinion, the \$26.50 per share in cash consideration to be received by the holders of Constellation Energy common stock, pursuant to the merger agreement was fair to such holders from a financial point of view. The opinion of Morgan Stanley is subject to the assumptions, limitations and qualifications set forth in its opinion (some of which are non-customary due to the unique circumstances in which the merger was negotiated), which is attached as Annex B to this proxy statement and is incorporated herein by reference. We encourage you to read the opinion and the section "The Merger Opinion of Constellation Energy's Financial Advisor" beginning on page 46 carefully and in its entirety. The opinion of Morgan Stanley was addressed to Constellation Energy's board of directors in connection with their evaluation of the merger, does not address any other aspect of the merger and does not constitute a recommendation to any shareholder as to how you should vote on any matter at the special meeting. The opinion is included as Annex B to this proxy statement.

Conditions to the Merger (Page 83)

As more fully described in this proxy statement and in the merger agreement, the completion of the merger is subject to a number of conditions being satisfied or, where legally permissible, waived. The conditions to MidAmerican's obligations include, among others, the absence of the occurrence of a material adverse effect on Constellation Energy from the date of the merger agreement; all unsecured senior debt of Constellation Energy being rated investment grade or better with no less than a stable outlook by Moody's Investors Service, Inc., Standard & Poor's Ratings Group, Inc. and Fitch Ratings; if requested by MidAmerican, the receipt of payoff letters from the lenders under Constellation Energy's credit facilities or the receipt of a waiver from such lenders of any default under the credit facilities as a result of the merger; MidAmerican not having determined that either the retail and/or wholesale businesses or assets of Constellation Energy and its subsidiaries and joint ventures, taken as a whole, have materially deteriorated since June 30, 2008 (the parties agreeing in the merger agreement that an adverse change in the net economic value of such businesses or assets in excess of \$400 million since June 30, 2008 will be deemed material). The conditions of Constellation Energy's obligations and MidAmerican's obligations include approval of the merger by Constellation Energy's shareholders and the receipt of certain required regulatory approvals and other customary closing conditions.

We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Regulatory Approvals (page 64)

The approval of, among others, the following U.S. federal, state and local regulatory authorities must be obtained before the merger can be completed:

the Federal Energy Regulatory Commission (which we refer to as the FERC);

the Nuclear Regulatory Commission (which we refer to as the NRC);

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the Federal Communications Commission (which we refer to as the FCC); and

the state regulatory agencies in several of the states in which Constellation Energy operates electric and/or gas businesses. As of the date of this proxy statement, Constellation Energy and MidAmerican have submitted applications for all of these regulatory approvals and are in the process of seeking such approvals as are necessary.

In addition, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder (which we refer to as the HSR Act) the merger cannot be completed until notification and report forms have been filed with the U.S. Federal Trade Commission (which we refer to as the FTC) and the Antitrust Division of the U.S. Department of Justice (which we refer to as the Antitrust Division) and the applicable waiting period has expired or been terminated. On October 1, 2008, both Constellation Energy and Berkshire (as the ultimate parent of MidAmerican) filed their respective notification and report forms under the HSR Act with the FTC and the Antitrust Division. Early termination of the 30-day initial waiting period under the HSR Act was granted on October 31, 2008, permitting the parties to consummate the merger thereafter.

In accordance with competition regulations of the European Commission, a merger notification was submitted to the European Commission on October 23, 2008. The European Commission issued its decision not to oppose the merger on November 21, 2008.

Termination of the Merger Agreement (Page 84)

The merger agreement may be terminated at any time prior to the effective time of the merger in any of the following ways:

by mutual written consent of Constellation Energy, MidAmerican and Merger Sub;

by either Constellation Energy or MidAmerican by written notice to the other party:

if any state or federal law or order is adopted or issued, which has the effect, as supported by the written opinion of outside counsel for such party, of prohibiting the merger, or if a court of competent jurisdiction in the United States has issued a final, non-appealable order permanently enjoining, restraining or otherwise prohibiting the merger;

if the effective time of the merger has not occurred on or before June 19, 2009 (or September 19, 2009 if all conditions other than those relating to regulatory approvals, debt ratings and/or required consents have been fulfilled as of June 19, 2009), unless the party seeking to terminate under this provision shall have proximately contributed to the failure of the effective time of the merger to occur on or before such applicable date; or

if Constellation Energy shareholders fail to approve the merger at the special meeting or any adjournment thereof.

by MidAmerican:

if there has been a breach of any representation or warranty of Constellation Energy, or any such representation or warranty shall have become untrue and incapable of being cured prior to the effective time of the merger, or any breach of any covenant or other agreement of Constellation Energy in the merger agreement, and such breach would result in the applicable closing condition to the merger not being satisfied and is not curable or, if curable, is not cured within 30 days after written notice is given by MidAmerican to Constellation Energy; or

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if Constellation Energy's board of directors (i) withdraws or modifies, in a manner adverse to MidAmerican, its recommendation to shareholders regarding the merger, (ii) approves, recommends or enters into an agreement (other than a confidentiality agreement) in respect of a takeover proposal, in each case, by a party other than MidAmerican or an affiliate thereof, (iii) resolves to take any of these actions, or (iv) Constellation Energy, its subsidiaries, joint ventures or any of its officers or directors has breached in any material respect the non-solicitation covenant in the merger agreement.

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by Constellation Energy if there has been a breach of any representation or warranty of MidAmerican or Merger Sub, or any such representation or warranty shall have become untrue and incapable of being cured prior to the effective time of the merger, or any breach of any covenant or other agreement of MidAmerican or Merger Sub in the merger agreement, and such breach would result in the applicable closing condition to the merger not being satisfied and is not curable or, if curable, is not cured within 30 days after written notice is given by Constellation Energy to MidAmerican.

Termination Fee (Page 85)

Constellation Energy has agreed to pay MidAmerican a termination fee of \$175 million if the merger agreement is terminated for any reason other than by Constellation Energy because of MidAmerican's or Merger Sub's breach of any representation, warranty, covenant or other agreement made by MidAmerican or Merger Sub.

Restrictions on Solicitation of Alternative Transactions (Page 80)

The merger agreement restricts Constellation Energy, its subsidiaries and joint ventures, and their respective officers, directors, agents and representatives from, among other things, soliciting or engaging in or encouraging or facilitating any discussions or negotiations with any third parties regarding specified transactions involving Constellation Energy or its subsidiaries and Constellation Energy's board of directors' right to change or withdraw its recommendation in favor of the merger. Notwithstanding these restrictions, under limited circumstances specified in the merger agreement prior to obtaining shareholder approval, in order for directors to comply with their duties under applicable law, Constellation Energy's board of directors may respond to certain unsolicited superior competing proposals or modify or withdraw its recommendation in favor of the approval of the merger.

Financing of the Merger (Page 55)

At the time of signing the merger agreement, MidAmerican issued \$1 billion of 11% trust preferred securities of a newly formed statutory business trust to Berkshire. The proceeds of the issuance were subsequently contributed to a direct wholly-owned subsidiary of MidAmerican, MEHC Investment, Inc. In turn, MEHC Investment, Inc. then used such funds to purchase \$1 billion of Constellation Energy Series A Convertible Preferred Stock (which we refer to as the Series A Preferred Stock).

MidAmerican will finance the approximately \$4.73 billion merger consideration through the issuance of approximately \$2.73 billion of its common stock to Berkshire, and \$2.0 billion in aggregate principal amount of subordinated debentures issued to a statutory business trust that will be newly formed and wholly-owned by MidAmerican.

The newly formed statutory business trust will simultaneously offer \$2.0 billion in aggregate principal amount of 11% trust preferred securities to Berkshire or certain of its subsidiaries, and will invest the proceeds it receives from the 11% trust preferred securities offering in the \$2.0 billion aggregate principal amount of subordinated debentures issued by MidAmerican. The \$2.0 billion in aggregate principal amount of 11% trust preferred securities will have maturities and dividend provisions identical to comparable provisions in the subordinated debentures issued by MidAmerican, and will be substantially identical as to other terms to the prior series issued by trusts wholly-owned by MidAmerican to various Berkshire subsidiaries.

The merger agreement is not subject to a financing condition.

Limitation of Remedies (Page 85)

Constellation Energy agreed in the merger agreement that its remedies would be limited to damage claims, with the maximum aggregate liability of MidAmerican for losses or damages in connection with the merger agreement being limited in amount to \$1.0 billion. Constellation Energy's recourse for such losses or damages is

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limited to the Series A Preferred Stock (or shares of Constellation Energy common stock and 14% Senior Notes (as defined below) issued upon conversion thereof), or the proceeds of the redemption or repayment of the Series A Preferred Stock or the aggregate principal amount of the 14% Senior Notes. In addition, if Constellation Energy attempts to challenge the validity of the \$1.0 billion damage cap, the merger agreement provides that such amount will be automatically reduced to \$1,000.

Interests of Constellation Energy's Directors and Executive Officers in the Merger (Page 56)

In considering the recommendation of the board of directors that you vote to approve the merger, you should be aware that our directors and executive officers may be considered to have interests in the merger that are different from, or in addition to, your interests as a shareholder. Constellation Energy's board of directors was aware of and took account of these interests, among other matters, in reaching its decision to declare the merger advisable and in determining that the merger is in the best interests of Constellation Energy and its shareholders, and in approving the merger agreement, the merger, and the other transactions contemplated by the merger agreement. Such interests include (i) severance payments and benefits payable to executive officers upon a qualifying termination of employment pursuant to agreements previously entered into between the executive officers and Constellation Energy, (ii) the accelerated vesting and cashing out of certain compensation and equity awards to executive officers and the accelerated vesting and/or payment of deferred compensation arrangements for certain directors and officers and (iii) rights to continued indemnification and insurance coverage after the merger for acts or omissions occurring prior to the merger.

Treatment of Options and Other Awards (Page 73)

Stock Options. Prior to the effective time of the merger, Constellation Energy will take all actions required so that, immediately prior to the effective time of the merger, all outstanding options to acquire Constellation Energy common stock, whether or not vested, will be cancelled and holders thereof will be entitled to the right to receive, following the effective time of the merger, a payment in cash from Constellation Energy equal to the number of shares of Constellation Energy common stock then issuable upon the exercise of such option multiplied by the amount, if any, by which \$26.50 exceeds the exercise price of such option, without interest and less any applicable withholding taxes. There are no outstanding options that have an exercise price less than \$26.50.

Constellation Energy Performance Units. As of the effective time of the merger, the holder of each Constellation Energy performance unit that becomes vested at the effective time of the merger pursuant to the terms of the plan pursuant to which they were issued will be entitled to receive, in full satisfaction of such holder's rights with respect to vested performance units, an amount in cash equal to \$2.00 per unit within 30 days after the effective time of the merger, without interest and less any applicable withholding taxes.

Other Awards. Prior to the effective time of the merger, Constellation Energy will take all actions required so that, as of the effective time of the merger, all awards of equity of Constellation Energy (including shares of restricted stock, restricted stock units and stock equivalents) outstanding immediately before the effective time of the merger (other than the Constellation Energy performance units and stock options) will be cancelled. The holder of any such award will be entitled to receive, in cancellation and settlement of such award, a payment in cash from Constellation Energy equal to the total number of shares of Constellation Energy common stock that would be issuable upon full vesting of such award or for which restrictions would lapse upon full vesting of such award multiplied by \$26.50, without interest and less any applicable withholding taxes.

Notwithstanding the terms of the merger agreement, Constellation Energy and MidAmerican agreed subsequently that employees of Constellation Energy who hold restricted stock and restricted stock units will receive cash proceeds as a result of the transactions contemplated by the merger agreement pursuant to, and in accordance with, the terms of the plans governing such awards. Accordingly, upon completion of the merger, each holder of Constellation Energy equity awards (including shares of restricted stock and restricted stock units, but excluding Constellation Energy performance units and options (which shall be treated in accordance with the

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preceding paragraphs)) granted under the Constellation Energy Stock Plans (other than the 2002 Senior Management Long-Term Incentive Plan and the Executive Long-Term Incentive Plan,) will be paid a pro rata portion of the cash amount described in the preceding paragraph, with the pro rata portion determined based on the number of months in the vesting period that have elapsed as of the date of completion of the merger as compared to the total number of months in the original vesting period. The remainder of the cash amount will be paid to the holder at the end of the original vesting period, subject to continued service through such date. Each holder of shares of restricted stock and restricted stock units granted under the 2002 Senior Management Long-Term Incentive Plan and the Executive Long-Term Incentive Plan will be paid the full amount of the cash amount described in the preceding paragraph on or promptly following the effective time of the merger.

Litigation Related to the Merger (Page 71)

Beginning September 18, 2008, six shareholders of Constellation Energy have filed lawsuits in the Circuit Court for Baltimore City, Maryland challenging the proposed merger. Four of those lawsuits were brought as shareholder class actions and two were brought as shareholder derivative actions. On September 29, 2008, the first of three shareholder actions was filed in the United States District Court for the District of Maryland, originally as class actions on behalf of shareholders, but in a consolidated and amended complaint asserting the claims both on behalf of a proposed class of shareholders and derivatively on behalf of the Company.

The lawsuits claim that Constellation Energy and members of its board of directors breached their fiduciary duties to shareholders or to the Company in agreeing to the proposed merger. The federal lawsuits and one of the state lawsuits also name MidAmerican as a defendant, alleging that it aided and abetted members of Constellation Energy's board of directors in breaching their fiduciary duties. The Federal lawsuits include the MidAmerican Merger subsidiary in their aiding and abetting allegations.

The lawsuits claim that the merger agreement's consideration is inadequate and does not maximize value for shareholders, that the sales process leading up to the merger was unreasonably short and procedurally flawed, and that unreasonable deal protection devices were agreed to that ward off competing bids and coerce shareholders into accepting the merger. The federal lawsuits also claim that Maryland law does not authorize a feature of the preferred stock transaction with MidAmerican that would, upon certain events or conditions, convert preferred stock into debt.

Although Constellation Energy is unable at this time to determine the ultimate outcome of these lawsuits, injunctive relief or an adverse determination in the shareholder class actions or the shareholder derivative actions could affect our ability to complete the proposed merger.

Material U.S. Federal Income Tax Consequences (Page 62)

The payment of cash upon the cancellation of shares of Constellation Energy common stock generally will be a taxable transaction for U.S. federal income tax purposes. Shareholders who receive cash upon the cancellation of their shares of Constellation Energy common stock will generally recognize gain or loss in an amount equal to the difference, if any, between the cash received in the merger and their adjusted tax basis in their shares of Constellation Energy common stock. You should consult your tax advisor for a complete analysis of the effect of the merger on your federal, state and local and/or foreign taxes.

Common Stock Ownership of Directors and Executive Officers (Page 89)

As of November 14, 2008, the directors and executive officers of Constellation Energy held and are entitled to vote, in the aggregate, 455,155 shares of Constellation Energy common stock at the special meeting, which represents less than 1% of our outstanding common stock. All of our directors and executive officers have informed us that they currently intend to vote all of their shares of common stock **FOR** the approval of the merger and, if the board of directors determines to adjourn or postpone the special meeting, **FOR** the adjournment or postponement proposal.

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Common Stock Ownership of Significant Shareholders (Page 55)

Électricité de France International, S.A. (which we refer to as EDFI) acquired Constellation Energy common stock through open market purchases in accordance with an investor agreement, dated July 20, 2007 (which we refer to as the investor agreement) between EDFI and Constellation Energy, entered into in connection with the joint venture arrangement between EDFI and Constellation Energy with respect to development of nuclear projects in the United States and Canada. Under the terms of the investor agreement, EDFI is permitted to acquire up to 9.9% of Constellation Energy common stock and has agreed to vote its shares in the manner recommended by Constellation Energy's board of directors. EDFI also agreed not to, singly or as part of a group, directly or indirectly, without Constellation Energy's consent, acquire any additional securities in excess of the 9.9% ownership interest permitted by the investor agreement, participate in a solicitation of proxies, join with any other parties to form a group with respect to Constellation Energy common stock (as determined pursuant to Section 13(d) of the Exchange Act), act alone or in concert with others to seek or offer to control or influence, in any manner, our management, board of directors or policies, or seek to make a proposal or public announcement with respect to a merger, consolidation or sale of all or substantially all of the assets or a majority of the outstanding shares of Constellation Energy common stock, or any form of restructuring, or any other proposal inconsistent with the terms of the investor agreement. Under the terms of the investor agreement, EDFI also agreed to restrictions on its ability to dispose of its shares of Constellation Energy common stock. According to the Schedule 13D filed by EDFI on September 8, 2008, as of that date EDFI owned approximately 9.51% of Constellation Energy common stock.

Preferred Stock Ownership of MidAmerican (Page 68)

On September 19, 2008, Constellation Energy entered into a stock purchase agreement pursuant to which it agreed to sell \$1.0 billion of its Series A Preferred Stock to MidAmerican. On September 22, 2008, MidAmerican assigned its rights and obligations under the stock purchase agreement to MEHC Investment, Inc., a wholly-owned subsidiary of MidAmerican. The sale of the Series A Preferred Stock to MEHC Investment, Inc. was consummated on September 22, 2008. Upon the occurrence of a conversion event (as described below) and subject to the receipt of all required regulatory approvals, the Series A Preferred Stock will be automatically converted into (A) 35,679,215 shares of Constellation Energy common stock (representing approximately 19.9% of the number of shares of Constellation Energy common stock that were outstanding on September 22, 2008, or approximately 16.6% on an as-converted basis), subject to certain adjustments, and (B) \$1.0 billion in aggregate principal amount of senior unsecured promissory notes of Constellation Energy due December 31, 2009 (which we refer to as the 14% Senior Notes). The Series A Preferred Stock pays dividends at 8% per annum compounded quarterly and payable quarterly in arrears. Under Constellation Energy's articles supplementary, which define the rights of the Series A Preferred Stock, the Series A Preferred Stock converts upon the occurrence of a conversion event, which is the first to occur of (i) the date the merger agreement is terminated (other than due to a breach of the merger agreement by MidAmerican or Merger Sub) and (ii) June 19, 2009 (or September 19, 2009 if all conditions to the merger in the merger agreement other than those relating to regulatory approvals, debt ratings and/or required consents have been fulfilled as of June 19, 2009), whether or not the merger agreement is terminated on such date. In the event that Constellation Energy has not received all regulatory approvals required for the issuance of shares of common stock upon conversion of the Series A Preferred Stock, Constellation Energy will be required to make a cash payment to the holder in lieu of the issuance of the shares that are otherwise due to the holder in an amount equal to \$26.50 multiplied by the number of shares issuable to such holder and not so issued. Both the FERC and the New York Public Service Commission (which we refer to as NYPSC) prohibit the beneficial ownership of 10% or more of Constellation Energy common stock without prior regulatory approval. In connection with the applications filed with the FERC and NYPSC to approve the merger, Constellation Energy requested in the alternative that these regulatory agencies approve the conversion of the Series A Preferred Stock acquired by MidAmerican and its affiliates. If, upon occurrence of a conversion event, Constellation Energy has not received FERC and NYPSC approvals, and if no other regulatory limits on ownership of Constellation Energy common stock apply, Constellation Energy would issue approximately 20 million shares of common stock and make a cash payment of approximately

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\$418 million. Constellation Energy does not believe any additional regulatory approvals are required. In such event, Constellation Energy would also still be obligated to deliver the 14% Senior Notes upon such conversion.

Appraisal Rights (Page 68)

Under Maryland law, Constellation Energy shareholders do not have the right to seek appraisal of the fair value of their shares in connection with the merger.

Solicitation of Proxies (Page 24)

Constellation Energy will pay all expenses of this solicitation, including the cost of preparing and mailing this document. The proxies are being solicited by and on behalf of our board of directors. In addition to solicitation by use of the mails, proxies may be solicited by our directors, officers and employees, as well as by officers and employees of MidAmerican, by personal interview, telephone, mail, electronic mail, facsimile or other means of communication. Those persons will not be additionally compensated for solicitation activities, but may be reimbursed for out-of-pocket expenses in connection with any solicitation. We also may reimburse custodians, nominees and fiduciaries for their expenses in sending proxies and proxy material to beneficial owners. In addition, we have retained Innisfree to assist in the solicitation of proxies for the special meeting. Constellation Energy will pay Innisfree a fee of \$75,000 for its services, plus an additional fee of \$50,000 if the shareholders approve the merger proposal. Constellation Energy will pay additional fees to Innisfree depending upon the extent of additional services requested by Constellation Energy and will reimburse Innisfree for expenses it incurs in connection with its engagement by Constellation Energy.

Market Price of Common Stock (Page 87)

Constellation Energy common stock is listed on the NYSE under the trading symbol CEG. The closing sale price of Constellation Energy common stock on the NYSE on September 12, 2008, the last trading day prior to our public announcement regarding the resulting effects of the bankruptcy of Lehman Brothers Holdings Inc. (which we refer to as Lehman) and its subsidiaries on Constellation Energy, was \$58.37. On September 15, 2008, the closing price of Constellation Energy common stock was \$47.99, a decline of approximately 22% from the prior trading day's closing price, while the Dow Jones Industrial Average dropped almost 500 points, or 4.4%, that same day.

The closing sale price of Constellation Energy common stock on the NYSE on September 17, 2008, the last trading day prior to the first public announcement of a tentative agreement between MidAmerican and Constellation Energy for MidAmerican to make a preferred stock investment in Constellation Energy and for the proposed merger, was \$24.77. The closing sale price of Constellation Energy common stock on the NYSE on September 19, 2008, the trading day we executed the merger agreement with MidAmerican after the close of trading, was \$24.20. The \$26.50 per share to be paid for each share of Constellation Energy common stock in the merger represents a premium of approximately 9.5% to the closing price on September 19, 2008.

On November [], 2008, the last trading day before this proxy statement, Constellation Energy common stock closed at \$[] per share.

Additional Information (Page 91)

For additional questions about the merger, assistance in submitting proxies or voting shares of Constellation Energy common stock, or to request additional copies of the proxy statement or the enclosed proxy card, please contact our proxy solicitor:

INNISFREE M&A INCORPORATED

Shareholders call toll-free: (877) 717-3923

Banks and Brokers may call collect: (212) 750-5833

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

The following questions and answers address briefly some questions you may have regarding the matters to be voted upon at the special meeting. These questions and answers may not address all questions that may be important to you as a Constellation Energy shareholder. Please refer to the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement. In this proxy statement, the terms Constellation Energy, Company, we, us, and our, and any derivation thereof, refer to Constellation Energy Group, Inc. prior to the merger with MEHC Merger Sub Inc., a Maryland corporation (which we refer to as Merger Sub) and a wholly-owned subsidiary of MidAmerican Energy Holdings Company, an Iowa corporation (which we refer to as MidAmerican).

Why am I receiving this proxy statement?

Constellation Energy is soliciting proxies for the special meeting of shareholders. You are receiving a proxy statement because you owned shares of Constellation Energy common stock at the close of business on November 14, 2008, the record date, and that entitles you to vote at the special meeting. By use of a proxy, you can vote whether or not you attend the special meeting. This proxy statement describes the matters on which we would like you to vote and provides information on those matters so that you can make an informed decision.

What is the proposed transaction?

The proposed transaction is the acquisition of Constellation Energy by MidAmerican pursuant to an Agreement and Plan of Merger (which we refer to as the merger agreement) dated as of September 19, 2008 by and among Constellation Energy, MidAmerican and Merger Sub. Once the merger has been approved by Constellation Energy's shareholders and the other closing conditions under the merger agreement have been satisfied or waived, Merger Sub will merge with and into Constellation Energy (which we refer to as the merger). Constellation Energy will be the surviving corporation in the merger, which we sometimes refer to as the surviving corporation, and will become a wholly-owned subsidiary of MidAmerican.

Are there risks I should consider in deciding how to vote on the proposals related to the merger?

Yes. In evaluating the proposals related to the merger, you should carefully read this proxy statement, including the risk factors discussed in the section Risk Factors beginning on page 13. **You are urged to read this proxy statement in its entirety prior to voting or submitting a proxy.**

What do I need to do now?

After carefully reading and considering the information in this proxy statement, please submit your proxy by telephone or via the Internet in accordance with the instructions set forth in the enclosed proxy card, or sign and date the proxy card, and then mail your signed proxy card in the enclosed prepaid envelope so that your shares may be voted at the special meeting.

Should I send in my stock certificates now?

No. Shortly after the merger is completed, you will receive a letter of transmittal with instructions informing you how to send in your stock certificates representing shares of Constellation Energy common stock to a specified bank or trust company (which we refer to as the paying agent) in order to receive the merger consideration. If your shares are held in street name by your brokerage firm, bank, trust or other nominee, you will receive instructions on how to effect the surrender of your street name shares in exchange for the merger consideration. At that time, you should use the letter of transmittal to exchange stock certificates for the merger consideration to which you are entitled as a result of the merger. **Do not send any stock certificates with your proxy.**

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May I vote in person?

Yes. If you are a shareholder of record as of the close of business on November 14, 2008, you may attend the special meeting and vote your shares in person instead of returning your signed proxy card or submitting your proxy by telephone or via the Internet. However, because you can revoke a previously granted proxy by attending the special meeting and voting your shares in person, we urge you to return your proxy card or submit your proxy by telephone or via the Internet even if you are planning to attend the special meeting.

If my shares are held in street name by my broker, will my broker vote my shares for me even if I do not give my broker voting instructions?

No. If your shares are held in street name, your broker under certain circumstances may vote your shares for you if you do not return your proxy. Brokerage firms have the authority under the rules of the New York Stock Exchange, or NYSE, to vote their clients' unvoted shares on certain routine matters. However, the proposals to approve the merger and to adjourn the meeting are not routine matters under the NYSE rules, and your broker does not have discretionary authority to vote on either of these proposals. Therefore, if your shares are held in street name by your broker and you do not provide your broker with instructions on how to vote your street name shares, your broker will not be permitted to vote on the approval of the merger or the proposal to adjourn the meeting.

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

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

This means you own shares of Constellation Energy common stock that are registered under different names or in different forms. 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 and others, you will receive multiple sets of proxy materials. It is necessary for you to vote, sign and return all of the proxy cards, or follow the instructions for any alternative voting procedure on each of the proxy cards you receive, in order to vote all the shares you own. Each proxy card you receive will be accompanied by its own prepaid return envelope; if you submit your proxy by mail, make sure you return each proxy card in the return envelope which accompanied that proxy card.

How do I vote my Constellation Energy 401(k) shares?

If you participate in either the Constellation Energy Group, Inc. Employee Savings Plan (which we refer to as the Constellation Energy Savings Plan) or the Represented Employee Savings Plan for Nine Mile Point you may give voting instructions to T. Rowe Price, as trustee of both plans, by completing and returning the proxy card accompanying this proxy statement. Your instructions will tell the trustee of the Constellation Energy Savings Plan or the Represented Employee Savings Plan for Nine Mile Point how to vote the number of shares of Constellation Energy common stock held in your account. If you do not give the trustee voting instructions, your shares will be voted in the same proportions as the trustee votes shares for which instructions were received. The trustee will vote your shares in accordance with your duly executed proxy card received by [], 2008.

You may also revoke previously given voting instructions by [], 2008, by filing with the trustee of the Constellation Energy Savings Plan or the Represented Employee Savings Plan for Nine Mile Point either a written notice of revocation or a properly completed and signed proxy card bearing a later date. Your voting instruction will be kept confidential by the trustee.

Can I revoke my proxy and change my vote?

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

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delivery of a written revocation to our corporate secretary, by submitting another valid proxy bearing a later date or by attending the special meeting and voting your shares in person. You may also revoke your proxy and submit a new proxy by telephone or via the Internet.

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

What happens if I do not vote or abstain from voting?

The proposal to approve the merger will not be approved unless it receives the affirmative vote of holders of a majority of the outstanding shares of Constellation Energy common stock entitled to vote at the special meeting on the proposal, assuming a quorum is present. Abstentions and broker non-votes will have the same effect as votes against the proposal to approve the merger. If the merger becomes effective, whether or not you vote for the merger proposal, you will be entitled to receive the merger consideration for your shares of Constellation Energy common stock upon completion of the merger. The proposal to adjourn the meeting requires the affirmative vote of a majority of the shares of Constellation Energy common stock cast on this proposal. Abstentions and broker non-votes will have no effect on the proposal to adjourn the meeting, except that they will not constitute votes cast for purposes of obtaining the required minimum vote.

What is a quorum?

A quorum of the holders of the outstanding shares of Constellation Energy common stock must be present for the special meeting to be held. A quorum is present if the holders of a majority of the outstanding shares of Constellation Energy common stock entitled to vote at the special meeting are present at the meeting, either in person or represented by proxy. Abstentions are counted as present for the purpose of determining whether a quorum is present. Once a quorum is present, a quorum cannot be broken by the subsequent withdrawal of any shareholders.

Will a proxy solicitor be used?

Yes. Constellation Energy has engaged Innisfree M&A Incorporated (which we refer to as Innisfree) to assist in the solicitation of proxies for the special meeting.

When and where is the special meeting?

The special meeting will take place at Sky Lobby Conference Room, 750 East Pratt Street, Baltimore, Maryland, on [], 2008, at [], local time.

Who can help answer my questions regarding the special meeting or the merger?

INNISFREE M&A INCORPORATED

501 Madison Avenue, 20th Floor

New York, New York 10022

Shareholders may call toll-free: (877) 717-3923

Banks and Brokers may call collect: (212) 750-5833

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RISK FACTORS

In addition to the other information included and incorporated by reference in this proxy statement, Constellation Energy's shareholders should consider the matters described below in determining whether to approve the merger.

The merger is subject to closing conditions, including shareholder approval, that, if not satisfied or waived, will result in the merger not being completed, which may result in material adverse consequences to Constellation Energy's business and operations, including a potential bankruptcy filing.

The merger is subject to closing conditions, including the approval of Constellation Energy's shareholders that, if not satisfied, will prevent the merger from becoming effective. The closing condition that Constellation Energy's shareholders approve the merger may not be waived under applicable law and must be satisfied for the merger to be completed. Immediately prior to executing the merger agreement with MidAmerican, Constellation Energy was facing severe liquidity concerns and the possibility of seeking bankruptcy protection. Although Constellation Energy has since taken steps to enhance its liquidity and reduce the capital needs and volatility of its business, those activities are not complete and capital, credit and commodities markets have remained volatile. As a result, ratings agencies have retained a cautious outlook for Constellation Energy, and the business potentially remains subject to severe disruption. If Constellation Energy's shareholders do not approve the merger and the merger does not become effective, Constellation Energy may be unable to continue to operate its business on a stand-alone basis and could be required to seek bankruptcy protection, unless Constellation Energy is able to quickly obtain alternative sources of additional liquidity in amounts and in time to prevent any adverse action by rating agencies or other adverse reactions by trading counterparties and other business partners. In addition, following termination of the merger agreement, the put agreements with MidAmerican to provide up to an additional \$350 million of liquidity would terminate, unless exercised prior to such termination.

As of the date of this proxy statement, there were no competing takeover proposals for Constellation Energy and there is no assurance that, if one were to be made, Constellation Energy would be able to agree on the terms of or complete an alternative transaction on a timely basis.

If the merger agreement is terminated other than due to a breach by MidAmerican, holders of Constellation Energy common stock will be diluted significantly and Constellation Energy will incur substantial additional indebtedness.

If the merger agreement is terminated other than due to a breach by MidAmerican, in addition to the \$175 million termination fee that Constellation Energy will be required to pay to MidAmerican, the Series A Preferred Stock acquired by MEHC Investment Inc., a wholly-owned subsidiary of MidAmerican, pursuant to a purchase agreement executed contemporaneously with the merger agreement will automatically convert into \$1.0 billion in aggregate principal amount of 14% Senior Notes and, subject to the receipt of all required regulatory approvals, 35,679,215 shares of Constellation Energy common stock. In addition, the Series A Preferred Stock will, subject to the receipt of all required regulatory approvals, automatically convert into shares of Constellation Energy common stock and 14% Senior Notes on June 19, 2009 (or September 19, 2009 if all conditions other than those relating to regulatory approvals, debt ratings and/or required consents have been fulfilled as of June 19, 2009), whether or not the merger agreement is terminated on such applicable date. At the time of conversion of the Series A Preferred Stock, to the extent Constellation Energy has not received all regulatory approvals required for the issuance of all of the 35,679,215 shares of Constellation Energy common stock, Constellation Energy would be required to pay MidAmerican \$26.50 for each share that could not be issued to MidAmerican because such regulatory approvals had not been received. The issuance of shares of Constellation Energy common stock upon conversion of the Series A Preferred Stock will cause a significant reduction in the relative percentage ownership of Constellation Energy common stock of current Constellation Energy shareholders.

Further, the 14% Senior Notes to be issued upon conversion of the Series A Preferred Stock will mature on December 31, 2009. This obligation will reduce the cash available to finance our operations and other business activities and could limit our flexibility in planning for or reacting to changes in our business. The conversion of the Series A Preferred Stock into additional indebtedness could also have a negative impact on Constellation Energy's credit ratings.

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If Constellation Energy terminates the merger agreement due to a breach by MidAmerican or Merger Sub, the Series A Preferred Stock will not convert into shares of Constellation Energy common stock or the 14% Senior Notes upon such termination, but Constellation Energy will be required on September 22, 2010 to redeem all, but not less than all, of the Series A Preferred Stock for an amount in cash equal to 100% of the stated value for each share of Series A Preferred Stock plus all accrued but unpaid dividends, subject to the right of the Series A Preferred Stock to receive a distribution, in preference to outstanding shares of Constellation Energy common stock, in an amount equal to the amount of the redemption payment, in the case of an intervening liquidation or change of control. Redemption of the Series A Preferred Stock will reduce the cash available to finance Constellation Energy's operations and other business activities and could limit Constellation Energy's flexibility in planning for or reacting to changes in Constellation Energy's business and could also have a negative impact on Constellation Energy's credit ratings.

If continued unprecedented instability in global financial and commodities markets materially and adversely affects the net economic value of Constellation Energy's retail and/or wholesale businesses and assets or results in its senior unsecured debt being rated below investment grade, MidAmerican may seek to terminate the merger agreement and abandon the merger.

Extraordinary conditions in global financial and commodities markets, which have included unprecedented limitations on the availability of credit, have presented many businesses, including Constellation Energy, with unprecedented operating and liquidity challenges. If such conditions persist or worsen, and if, as a result, Constellation Energy faces more stringent limits on its access to liquidity, further downgrades in its debt ratings (to a level below investment grade) or other unprecedented market conditions that adversely affect Constellation Energy's business or the net value of its assets, MidAmerican may seek to terminate the merger agreement and abandon the merger. The merger agreement provides that MidAmerican is not obligated to consummate the merger if the net economic value of Constellation Energy's retail and/or wholesale businesses or assets declines by more than \$400 million between June 30, 2008 and the closing of the merger, as determined in the sole discretion of MidAmerican. In addition, MidAmerican's obligation to close the merger is conditioned upon, among other things, Constellation Energy's senior unsecured debt having an investment grade rating with no less than a stable outlook at the time of closing. As of the date of this proxy statement, Constellation Energy's senior unsecured debt was rated Baa2 by Moody's and BBB by S&P and Fitch.

Either Constellation Energy or MidAmerican may terminate the merger agreement if the effective time of the merger has not occurred on or before June 19, 2009 (or September 19, 2009 if all conditions other than those relating to regulatory approvals, debt ratings and/or required consents have been fulfilled as of June 19, 2009), unless the party seeking to terminate under this provision shall have proximately contributed to the failure of the effective time of the merger to occur on or before such applicable date. In the event of such a termination, among other events, Constellation Energy will be required to pay MidAmerican a termination fee of \$175 million and the Series A Preferred Stock will, subject to receipt of all required regulatory approvals, automatically convert into 35,679,215 shares of Constellation Energy common stock, subject to certain adjustments, and \$1.0 billion aggregate principal amount of 14% Senior Notes. At the time of conversion of the Series A Preferred Stock, to the extent Constellation Energy has not received all regulatory approvals required for the issuance of all of the 35,679,215 shares of Constellation Energy common stock, Constellation Energy would be required to pay MidAmerican \$26.50 for each share that could not be issued to MidAmerican because such regulatory approvals had not been received. In addition, following termination of the merger agreement, the put agreements with MidAmerican to provide up to an additional \$350 million of liquidity to Constellation Energy would terminate, unless exercised prior to such termination. Termination of the merger agreement and abandonment of the merger in these circumstances could have a material, negative impact on Constellation Energy's business and financial condition and would result in substantial dilution to current Constellation Energy shareholders. See "The Merger Agreement - Conditions to the Merger" beginning on page 83 and "The Merger Agreement - Termination" beginning on page 84.

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The merger is subject to receipt of consent or approval from governmental entities that could delay or prevent the completion of the merger, impose conditions that could cause abandonment of the merger or impose conditions that could have a material adverse effect on the future operations of Constellation Energy even if the merger is not completed.

Completion of the merger is conditioned upon the receipt of consents, orders, approvals or clearances from various federal, state and international regulatory agencies. As part of the regulatory approval process, governmental entities may impose terms and conditions that may not be acceptable to MidAmerican, which may give MidAmerican the right to terminate the merger agreement. In such an event, Constellation Energy will be required to pay to MidAmerican a termination fee of \$175 million in connection with termination of the merger agreement and the Series A Preferred Stock will, subject to receipt of all required regulatory approvals, automatically convert into 35,679,215 shares of Constellation Energy common stock, subject to certain adjustments, and \$1.0 billion aggregate principal amount of 14% Senior Notes. At the time of conversion of the Series A Preferred Stock, to the extent Constellation Energy has not received all regulatory approvals required for the issuance of all of the 35,679,215 shares of Constellation Energy common stock, Constellation Energy would be required to pay MidAmerican \$26.50 for each share that could not be issued to MidAmerican because such regulatory approvals had not been received. In addition, following termination of the merger agreement, the put agreements with MidAmerican to provide up to an additional \$350 million of liquidity would terminate, unless exercised prior to such termination.

In addition, governmental entities may impose terms and conditions that are unfavorable or add significant additional costs to the future operations of Constellation Energy even if the merger is not completed, which may have a material adverse effect on the future operations of Constellation Energy. As of the date of this proxy statement, because we have not yet received all required regulatory approvals, we do not know the terms or conditions of those approvals, whether we will receive them at all, or if one or more regulatory agencies will conduct hearings or proceedings or otherwise open an investigation. See *The Merger Summary of Series A Preferred Stock and 14% Senior Notes* beginning on page 68, *The Merger Regulatory Approvals* beginning on page 64 and *The Merger Agreement Conditions to the Merger* beginning on page 83 for a description of the regulatory approvals necessary in connection with the merger.

A substantial delay in obtaining required approvals or the imposition of unfavorable terms or conditions in connection with such approvals could have a material adverse effect on the business, financial condition or results of operations of Constellation Energy and could also have a negative impact on our credit ratings. In addition, delays or unfavorable terms could lead Constellation Energy to become involved in litigation with one or more governmental entities or private litigants or may cause MidAmerican to terminate the merger agreement and abandon the merger.

The fairness opinion obtained by Constellation Energy from its financial advisor does not reflect changes in circumstances between signing the merger agreement and the completion of the merger.

Constellation Energy has not obtained an updated fairness opinion as of the date of this proxy statement from Morgan Stanley, Constellation Energy's financial advisor. Changes in the operations and prospects of Constellation Energy, general market and economic conditions and other factors that may be beyond the control of Constellation Energy, and on which the fairness opinion was based, may alter the value of Constellation Energy by the time the merger is completed. Morgan Stanley's opinion does not speak as of the time the merger will be completed or as of any date other than the date of such opinion, which was September 19, 2008. Morgan Stanley's opinion does not address the fairness of the merger consideration, from a financial point of view, at the time the merger is completed because Constellation Energy did not ask its financial advisor to update its opinion and does not anticipate doing so. For a description of the opinion that Constellation Energy received from its financial advisor, see *The Merger Opinion of Constellation Energy's Financial Advisor* on page 46. The opinion is included as Annex B to this proxy statement. For a description of the other factors considered by Constellation Energy's board of directors in determining to approve the merger, see *The Merger Constellation Energy's Reasons for the Merger; Recommendation of the Constellation Energy Board of Directors* beginning on page 44.

Table of Contents***The merger agreement contains provisions that could affect the decisions of a third party considering making an alternative acquisition proposal to the merger.***

Under the terms of the merger agreement, except where Constellation Energy terminates the merger agreement due to a breach of the merger agreement by MidAmerican, Constellation Energy will be required to pay to MidAmerican a termination fee of \$175 million in connection with termination of the merger agreement. In addition, upon such termination of the merger agreement, the Series A Preferred Stock will, subject to receipt of all required regulatory approvals, automatically convert into 35,679,215 shares of Constellation Energy common stock, subject to certain adjustments, and \$1.0 billion aggregate principal amount of 14% Senior Notes. At the time of conversion of the Series A Preferred Stock, to the extent Constellation Energy has not received all regulatory approvals required for the issuance of all of the 35,679,215 shares of Constellation Energy common stock, Constellation Energy would be required to pay MidAmerican \$26.50 for each share that could not be issued to MidAmerican because such regulatory approvals had not been received. The merger agreement also limits the ability of Constellation Energy to initiate, solicit, encourage or facilitate acquisition or merger proposals from a third party. In addition, even if Constellation Energy receives an acquisition or merger proposal from a third party that Constellation Energy's board of directors concludes is superior to the merger with MidAmerican, Constellation Energy is not permitted to terminate the merger agreement for that reason unless and until Constellation Energy shareholders have voted on the merger and failed to approve it. The merger agreement also does not permit Constellation Energy to enter into an agreement to complete a transaction that it concludes is superior to the merger prior to termination of the merger agreement. These provisions could affect the decision by a third party to make a competing acquisition proposal, or the structure, pricing and terms proposed by a third party seeking to acquire or merge with Constellation Energy. See *The Merger Agreement Termination Fee* beginning on page 85, *The Merger Background of the Merger* beginning on page 27 and *The Merger Agreement Restrictions on Solicitation of Alternative Transactions* beginning on page 80.

The voting rights and conversion features of MidAmerican's \$1.0 billion Series A Preferred Stock investment in Constellation Energy, along with MidAmerican's right to designate one nominee to serve as a member of Constellation Energy's board of directors, may provide MidAmerican with influence over certain corporate matters and may impact the likelihood that a third party would seek to acquire, or succeed in acquiring, Constellation Energy (or its stock or assets).

Under the articles supplementary that designated certain preferences, conversion and other rights, and the terms and conditions of redemption of the Series A Preferred Stock (which we refer to as the articles supplementary) and the Investor Rights Agreement, dated as of September 19, 2008, by and between Constellation Energy and MidAmerican (which we refer to as the investor rights agreement), the number of members of Constellation Energy's board of directors was initially increased by one, and MidAmerican has the right to nominate one individual to the new directorship so long as MidAmerican and its affiliates beneficially own at least 33.3% of the shares of Series A Preferred Stock that were originally issued to MEHC Investment Inc. If MidAmerican does not exercise its right to nominate one individual to the new directorship, it may appoint a board observer who has the right to attend and participate in all meetings of, and receive all material distributed to, Constellation Energy's board of directors (subject to customary exceptions), but will not be entitled to vote at meetings of the board of directors or any committees thereof. As of the date of this proxy statement, MidAmerican has not exercised its right to nominate a director or appoint a board observer.

The Series A Preferred Stock generally does not have voting rights, but the consent of holders of such stock is required for specified matters in accordance with the terms of the articles supplementary. However, the holders of Series A Preferred Stock do not have the right to vote with respect to the merger. In addition, upon the occurrence of a conversion event of the Series A Preferred Stock, the Series A Preferred Stock subject to the receipt of all required regulatory approvals, will convert into 35,679,215 shares of Constellation Energy common stock (representing approximately 19.9% of the outstanding shares of Constellation Energy common stock on September 22, 2008, or approximately 16.6% on an as-converted basis), subject to certain adjustments, and \$1.0 billion in aggregate principal amount of 14% Senior Notes.

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Moreover, following such a conversion, MidAmerican would continue to have the director nomination and related rights described above so long as MidAmerican and its affiliates beneficially own at least 50% of the shares of Constellation Energy common stock received by MidAmerican and its affiliates upon conversion of the Series A Preferred Stock. Accordingly, if the merger agreement is terminated other than due to a breach by MidAmerican or Merger Sub, MidAmerican's common stock ownership and director nomination rights will enable it to exert significant influence over the outcome of a range of corporate matters, including significant corporate transactions requiring a shareholder vote, such as a merger or a sale of Constellation Energy or its assets. In that circumstance, this combination of significant common stock ownership and influence in board decision-making also could negatively affect the price of Constellation Energy common stock by, among other things, discouraging a potential acquirer from seeking to acquire shares of Constellation Energy common stock (whether by making a tender offer or otherwise) or otherwise attempting to obtain control of Constellation Energy. In addition, Constellation Energy and its subsidiaries will be subject to certain negative covenants relating to limitations on: amending or revising the organizational documents of Constellation Energy and its subsidiaries; liquidation; incurring indebtedness of Constellation Energy and its subsidiaries; and entering into affiliate transactions. See *The Merger Background of the Merger* beginning on page 27, *The Merger Restrictions on Solicitation of Alternative Transactions* beginning on page 80 and *The Merger Summary of Series A Preferred Stock and 14% Senior Notes* beginning on page 68.

If the merger agreement is terminated and the 14% Senior Notes are issued by Constellation Energy upon conversion of the Series A Preferred Stock, the 14% Senior Notes will contain restrictions on Constellation Energy's operation of its business.

The terms of the 14% Senior Notes to be issued upon conversion of the Series A Preferred Stock contain various covenants that will limit Constellation Energy's ability to engage in specific types of transactions and in operating its business. Constellation Energy will be subject to certain affirmative covenants relating to the payment of its obligations; the conduct of its business and corporate existence; maintenance of its property and insurance; and the inspection of its books and records. In addition, Constellation Energy and its subsidiaries will be subject to certain negative covenants relating to limitations on: indebtedness of Constellation Energy and its subsidiaries; incurring certain liens; engaging in certain fundamental changes (including, among other things, entering into a merger other than with a subsidiary of Constellation Energy; the sale of its assets; certain types of restricted payments; investments, loans and advances; acquisitions; optional payments and modifications to debt instruments; transactions with affiliates; changes to Constellation Energy's fiscal year end; conduct of business; and the issuance of capital stock of any subsidiary). Accordingly, if the Series A Preferred Stock is converted, Constellation Energy will be subject to certain additional restrictions on the operation of its business, including the types of transactions in which it may engage. See *The Merger Background of the Merger* beginning on page 27, *The Merger Restrictions on Solicitation of Alternative Transactions* beginning on page 80 and *The Merger Summary of Series A Preferred Stock and 14% Senior Notes* beginning on page 68.

Constellation Energy and its directors and officers are named parties to a number of actions relating to the merger and certain of these actions seek a court decision delaying or prohibiting the completion of the merger.

A number of actions are pending in federal courts and Maryland state courts relating to the merger. These include securities class actions against Constellation Energy and its directors and officers, and class-action complaints on behalf of a putative Constellation Energy shareholder class against Constellation Energy and its directors and officers. The shareholder class actions and shareholder derivative actions allege that members of Constellation Energy's board of directors breached their fiduciary duties to the Company in agreeing to the proposed merger. The shareholder class actions and shareholder derivative actions collectively seek declaratory judgment establishing the unenforceability of the merger based on the alleged breaches of duty, injunctive relief to enjoin the merger, rescission of the merger or rescissory damages, the imposition of a constructive trust in favor of shareholders of any benefits received by the individual members of the board of directors of Constellation Energy, and reasonable costs and expenses, including attorney's fees. Depending upon the

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outcome, these actions could result in a court preventing the merger, or could otherwise impede the closing of the merger and could have an adverse effect on Constellation Energy's business and financial results. See *The Merger Litigation Related to the Merger* beginning on page 71.

Members of management and Constellation Energy's board of directors have interests in the merger that are different from, or in addition to, those of other shareholders and that could have influenced their decision to support or approve the merger.

In considering whether to vote to approve the merger, Constellation Energy shareholders should recognize that some members of management and Constellation Energy's board of directors have interests in the merger that differ from, or are in addition to, their interests as shareholders of Constellation Energy. The independent members of Constellation Energy's board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending to shareholders that the merger be approved. See *The Merger Interests of Constellation Energy's Directors and Executive Officers in the Merger* beginning on page 56.

Constellation Energy is subject to business uncertainties and contractual restrictions while the merger is pending, as well as additional non-operating demands on management, that could adversely affect Constellation Energy's business and financial results.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on Constellation Energy, regardless of whether the merger is eventually completed. These uncertainties may impair Constellation Energy's ability to attract, retain and motivate key personnel until the merger is completed, or the merger agreement is terminated, and for a period of time thereafter. These uncertainties also could cause customers, suppliers, counterparties and other business partners that deal with Constellation Energy to seek to terminate or change existing business relationships with Constellation Energy.

Employee retention and recruitment may be particularly challenging during the pendency of the merger because employees and prospective employees may be uncertain about their future roles with Constellation Energy if the merger is completed. The departure of existing key employees or the failure of potential key employees to continue employment with Constellation Energy, despite Constellation Energy's retention and recruiting efforts, could have a material adverse impact on Constellation Energy's business, financial condition and operating results, regardless of whether the merger is eventually completed.

The pursuit of the merger with MidAmerican places a significant burden on management and internal resources. The diversion of management attention away from day-to-day business concerns and any difficulties encountered in the transition and integration process could have a material adverse impact on Constellation Energy's business, financial condition and operating results, regardless of whether the merger is eventually completed.

In addition, the merger agreement restricts Constellation Energy, without MidAmerican's consent, from making certain acquisitions and taking other specified actions until the merger occurs or the merger agreement terminates. These restrictions may prevent Constellation Energy from pursuing in a timely manner otherwise attractive business opportunities and making other changes to its businesses prior to completion of the merger or termination of the merger agreement. See *The Merger Agreement Conditions to the Merger* beginning on page 83.

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Constellation Energy has agreed to limit its remedies against MidAmerican for breach of the merger agreement.

Constellation Energy agreed in the merger agreement that the maximum aggregate liability of MidAmerican for losses or damages in connection with the merger agreement (including the failure to complete the merger once all of the conditions to the completion of the merger have been satisfied) would be limited in amount to \$1.0 billion. Constellation Energy's recourse for such losses or damages is limited to the Series A Preferred Stock (or shares of Constellation Energy common stock and 14% Senior Notes issued upon conversion thereof) or the proceeds of the redemption or repayment of the Series A Preferred Stock or the aggregate principal amount of the 14% Senior Notes. The merger agreement also provides that Constellation Energy will not be entitled to an injunction to prevent breaches of the merger agreement by MidAmerican or to enforce specifically the terms and provisions of the merger agreement against MidAmerican. Breach of the merger agreement by MidAmerican may result in a material adverse effect on Constellation Energy for which it is not able to recover damages, which itself could have material adverse effects on Constellation Energy. In addition, if Constellation Energy attempts to challenge the validity of the \$1.0 billion damage cap, the merger agreement provides that such amount will be automatically reduced to \$1,000.

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FORWARD-LOOKING STATEMENTS

This proxy statement, and the documents to which we refer you in this proxy statement, include forward-looking statements based on estimates and assumptions. There are forward-looking statements throughout this proxy statement, including, without limitation, under the headings

Summary Term Sheet, Questions and Answers about the Special Meeting and the Merger, The Merger, Opinions of Constellation Energy's Financial Advisors, Regulatory Approvals, and Litigation Related to the Merger, and in statements containing words such as believes, estimates, anticipates, continues, contemplates, expects, intends, may, will, plans, could, should or would or other similar words or phrases disclose non-historical information that represents management's expectations, which are based on numerous assumptions. These statements, which are based on information currently available to us, are not guarantees of future performance and may involve risks and uncertainties that could cause our actual growth, results of operations, performance and business prospects, and opportunities to materially differ from those expressed in, or implied by, these statements. These forward-looking statements speak only as of the date on which the statements were made and we expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statement included in this proxy statement or elsewhere. In addition to other factors and matters contained or incorporated in this document, these statements are subject to risks, uncertainties, and other factors, including, among others:

the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement;

the outcome of any legal proceedings that have been or may be instituted against Constellation Energy and others relating to the merger agreement including the terms of any settlements of such legal proceedings that may be subject to court approval;

the inability to complete the merger due to the failure to obtain shareholder approval or the failure to satisfy other conditions to consummation of the merger;

the failure of the merger to close for any other reason;

risks that the proposed transaction disrupts current plans and operations and the potential difficulties in employee retention as a result of the merger;

the effect of the announcement of the merger on our business relationships, operating results and business generally;

the amount of the costs, fees, expenses and charges related to the issuance of the Series A Preferred Stock and the merger;

the timing and extent of changes in commodity prices and volatilities for energy and energy related products including coal, natural gas, oil, electricity, nuclear fuel, freight, and emission allowances, and the impact of such changes on our liquidity requirements;

the liquidity and competitiveness of wholesale markets for energy commodities;

the effect of weather and general economic and business conditions on energy supply, demand, and prices;

the ability to attract and retain customers in our customer supply activities and to adequately forecast their energy usage;

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the timing and extent of deregulation of, and competition in, the energy markets, and the rules and regulations adopted in those markets;

uncertainties associated with estimating natural gas reserves, developing properties, and extracting natural gas;

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regulatory or legislative developments federally, in Maryland, or in other states that affect deregulation, the price of energy, transmission or distribution rates and revenues, demand for energy, or increases in costs, including costs related to nuclear power plants, safety, or environmental compliance;

the ability of our regulated and nonregulated businesses to comply with complex and/or changing market rules and regulations;

the ability of BGE to recover all its costs associated with providing customers service;

the conditions of the capital markets, interest rates, foreign exchange rates, availability of credit facilities to support business requirements, liquidity, and general economic conditions, as well as Constellation Energy and BGE's ability to maintain their current credit ratings;

the effectiveness of Constellation Energy's and BGE's risk management policies and procedures and the ability and willingness of our counterparties to satisfy their financial and performance commitments;

operational factors affecting commercial operations of our generating facilities (including nuclear facilities) and BGE's transmission and distribution facilities, including catastrophic weather-related damages, unscheduled outages or repairs, unanticipated changes in fuel costs or availability, unavailability of coal or gas transportation or electric transmission services, workforce issues, terrorism, liabilities associated with catastrophic events, and other events beyond our control;

the actual outcome of uncertainties associated with assumptions and estimates using judgment when applying critical accounting policies and preparing financial statements, including factors that are estimated in determining the fair value of energy contracts, such as the ability to obtain market prices and, in the absence of verifiable market prices, the appropriateness of models and model inputs (including, but not limited to, estimated contractual load obligations, unit availability, forward commodity prices, interest rates, correlation and volatility factors);

changes in accounting principles or practices;

losses on the sale or write down of assets due to impairment events or changes in management intent with regard to either holding or selling certain assets;

the ability to successfully identify and complete acquisitions and sales of businesses and assets; and

cost and other effects of legal and administrative proceedings that may not be covered by insurance, including environmental liabilities.

These factors and other risk factors discussed in this proxy statement, including under the heading "Risk Factors" in this proxy statement, are not necessarily all of the important factors that could cause Constellation Energy's actual result to differ materially from those expressed in any of its forward-looking statements. Other unknown or unpredictable factors also could have material adverse effects on Constellation Energy's future results.

In addition, for a more detailed discussion of these risks and uncertainties and other factors regarding our business, please refer to those risks discussed and identified in our public filings with the SEC. See "Where You Can Find More Information" beginning on page 91. Many of the factors that will determine our future results are beyond our ability to control or predict. In light of the significant uncertainties inherent in the forward-looking statements contained herein, readers should not place undue reliance on forward-looking statements, which reflect

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management's views only as of the date hereof. We cannot guarantee any future results, levels of activity, performance or achievements. The statements made in this proxy statement represent our views as of the date of this proxy statement, and it should not be assumed that the statements made herein remain accurate as of any future date. Moreover, we assume no obligation to update forward-looking statements or update the reasons that actual results could differ materially from those anticipated in forward-looking statements, except as required by law.

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THE SPECIAL MEETING

Date, Time and Place

This proxy statement is being furnished to our shareholders as part of the solicitation of proxies by our board of directors for use at the special meeting to be held on [], 2008, starting at [], local time, at Sky Lobby Conference Room, 750 East Pratt Street, Baltimore, Maryland, or at any adjournment or postponement thereof.

Proposals

Proposal 1: To consider and vote on a proposal to approve the merger of Merger Sub, a wholly-owned subsidiary of MidAmerican, with and into Constellation Energy as contemplated by the merger agreement, dated as of September 19, 2008, by and among Constellation Energy, MidAmerican, and Merger Sub; and

Proposal 2: To consider and vote on any proposal to adjourn or postpone the special meeting to a later date or time, if necessary or appropriate in the view of our board of directors, including to solicit additional proxies in favor of the proposal to approve the merger if there are insufficient votes at the time of such adjournment or postponement to approve the merger.

Shareholders Entitled to Vote

We have fixed the close of business on November 14, 2008, as the record date for the special meeting, and only holders of record of Constellation Energy common stock on the record date are entitled to receive notice of, and vote at, the special meeting. As of November 14, 2008, there were 179,274,673 shares of Constellation Energy common stock outstanding and entitled to vote. Each share of Constellation Energy common stock entitles its holder to one vote on all matters properly coming before the special meeting.

Vote Required for Approval

The following votes are required to approve the proposals:

Proposal 1: The approval of the merger proposal requires the affirmative vote of holders of a majority of the outstanding shares of Constellation Energy common stock entitled to vote at the special meeting assuming a quorum is present.

Proposal 2: Approval of any proposal to adjourn or postpone the special meeting, if necessary or appropriate in the view of our board of directors, including for the purpose of soliciting additional proxies in favor of the proposal to approve the merger, requires the affirmative vote of a majority of the votes cast by holders of shares of Constellation Energy common stock present in person or represented by proxy at the special meeting.

OUR SHAREHOLDERS MUST APPROVE THE MERGER IN ORDER FOR THE MERGER TO OCCUR. IF OUR SHAREHOLDERS FAIL TO APPROVE THE MERGER, THE MERGER WILL NOT OCCUR. A COPY OF THE MERGER AGREEMENT IS ATTACHED TO THIS PROXY STATEMENT AS ANNEX A. YOU ARE URGED TO READ THE MERGER AGREEMENT IN ITS ENTIRETY.

Quorum

A quorum is the presence at the special meeting in person or by proxy of shareholders entitled to cast a majority of the votes at the special meeting. Shares of Constellation Energy common stock represented at the special meeting but not voted, including shares of Constellation Energy common stock for which proxies have been received but for which shareholders have abstained, will be treated as present at the special meeting for purposes of determining the presence or absence of a quorum for the transaction of all business. Once a quorum

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is present, a quorum cannot be broken by the subsequent withdrawal of any shareholders. In the event that a quorum is not present at the special meeting, the meeting may be adjourned or postponed to solicit additional proxies.

Abstentions and Broker Non-Votes

You may vote **FOR** or **AGAINST**, or you may **ABSTAIN** from voting on, the proposal to approve the merger. Abstentions will not be counted as votes cast or shares voting on the proposal to approve the merger, but will count for the purpose of determining whether a quorum is present.

Completion of the merger requires the approval of the merger by the affirmative vote of holders of a majority of the outstanding shares of Constellation Energy common stock entitled to vote at the special meeting, assuming a quorum is present. Therefore, if you abstain, it will have the same effect as a vote **AGAINST** the approval of the merger.

Under the rules of the NYSE, brokers who hold shares in street name for customers have the authority to vote on routine proposals when they have not received instructions from beneficial owners. However, brokers are precluded from exercising their voting discretion with respect to approving non-routine matters such as the approval of the merger and the adjournment proposals and, as a result, absent specific instructions from the beneficial owner of such shares, brokers are not empowered to vote those shares. Executed proxy cards that are properly signed and returned by brokers who do not vote on non-routine matters are referred to generally as broker non-votes. Therefore, while broker non-votes will be counted for the purpose of determining a quorum, because completion of the merger requires the approval of the merger by the affirmative vote of holders of a majority of the outstanding shares of Constellation Energy common stock entitled to vote at the special meeting, any broker non-votes will have the same effect as a vote **AGAINST** the approval of the merger.

You may vote **FOR** or **AGAINST** or you may **ABSTAIN** from voting on, the proposal to adjourn the meeting. The proposal to adjourn the meeting requires the affirmative vote of a majority of the shares of Constellation Energy common stock cast on the proposal. Abstentions and broker non-votes will have no effect on the proposal to adjourn the meeting, except that they will not constitute votes cast for purposes of obtaining the required minimum vote for this proposal.

Votes by Constellation Energy Directors and Executive Officers

As of November 14, 2008, our directors and executive officers held and are entitled to vote, in the aggregate, 455,155 shares of Constellation Energy common stock at the special meeting, which represented less than 1.0% of our outstanding common stock. All of our directors and executive officers have informed Constellation Energy that they currently intend to vote all of their shares of common stock **FOR** the approval of the merger and **FOR** the proposal to adjourn or postpone the special meeting if required to solicit additional proxies.

Proxies and Revocation

If you submit a proxy by telephone or the Internet or by returning a signed and dated proxy card, your shares will be voted at the special meeting as you indicate. If you sign your proxy card without indicating your vote, your shares will be voted **FOR** the approval of the merger and **FOR** the adjournment or postponement of the special meeting, if necessary or appropriate in the view of our board of directors, including to solicit additional proxies in favor of the proposal to approve the merger, and in accordance with the recommendations of our board of directors on any other matters properly brought before the special meeting, or at any adjournment or postponement thereof, for a vote.

If your shares of Constellation Energy common stock are held in street name, you will receive instructions from your broker, bank or other nominee that you must follow in order to have your shares voted. If you do not instruct your broker, bank or nominee to vote your shares, it has the same effect as a vote against approval of the merger, and will not count as a vote cast on the proposal to adjourn the meeting.

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Proxies received at any time before the special meeting, and not revoked or superseded before being voted, will be voted at the special meeting. You have the right to change or revoke your proxy at any time before the vote taken at the special meeting:

if you hold your shares in your name as a shareholder of record, by notifying our corporate secretary in writing;

by attending the special meeting and voting in person (your attendance at the meeting will not, by itself, revoke your proxy; you must vote in person at the meeting);

by submitting a new, proper proxy by telephone, via the Internet or by proxy card after the date of the earlier voted proxy; or

if you have instructed a broker, bank or other nominee to vote your shares, by following the directions received from your broker, bank or other nominee to change those instructions.

Adjournments and Postponements

Although it is not currently expected, the special meeting may be adjourned or postponed by Constellation Energy for the purpose of soliciting additional proxies. Constellation Energy's bylaws provide that any adjournment may be made without notice if the time and place are announced at the special meeting unless the adjournment is to a date that is more than 120 days after the original record date, or a new record date is fixed for the adjourned meeting, in which circumstances a notice of the adjourned meeting will be given to each shareholder of record entitled to vote at the meeting. Any signed proxies received by Constellation Energy in which no voting instructions are provided on such matter will be voted FOR an adjournment or postponement of the special meeting, if necessary or appropriate in the view of our board of directors, including to solicit additional proxies in favor of the proposal to approve the merger. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow Constellation Energy's shareholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned or postponed.

Solicitation of Proxies

This proxy solicitation is being made and paid for by Constellation Energy on behalf of its board of directors. In addition, we have retained Innisfree to assist in the solicitation of proxies for the special meeting. Constellation Energy will pay Innisfree a fee of \$75,000 for its services, plus an additional fee of \$50,000 if the shareholders approve the merger proposal. Constellation Energy will pay additional fees to Innisfree depending upon the extent of additional services requested by Constellation Energy and will reimburse Innisfree for expenses it incurs in connection with its engagement by Constellation Energy. Our directors, officers and employees and officers and employees of MidAmerican may also solicit proxies by personal interview, mail, electronic mail, telephone, facsimile or other means of communication. These persons will not be paid additional remuneration for their efforts. We will also request brokers and other fiduciaries to forward proxy solicitation material to the beneficial owners of shares of our common stock that the brokers and fiduciaries hold of record. Upon request, we will reimburse them for their reasonable out-of-pocket expenses.

The expenses of preparing, printing and mailing this proxy statement and the proxies solicited by this proxy statement will be borne by Constellation Energy.

Availability of Documents

Documents incorporated by reference (excluding exhibits to those documents unless the exhibit is specifically incorporated by reference into those documents) will be provided without charge, to each person to whom this proxy statement is delivered, upon written or oral request of such person and by first class mail.

Questions and Additional Information

If you have more questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, please call our proxy solicitor, Innisfree, toll free at (877) 717-3923.

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THE MERGER

This discussion of the merger is qualified in its entirety by reference to the merger agreement, which is attached to this proxy statement as Annex A and which is incorporated by reference into this proxy statement. You should read the entire merger agreement carefully as it is the legal document that governs the merger.

Parties to the Merger

Constellation Energy Group, Inc.

Constellation Energy is an energy company which includes a merchant energy business and BGE, a regulated electric and gas public utility in central Maryland. Constellation Energy was incorporated in Maryland on September 25, 1995. On April 30, 1999, Constellation Energy became the holding company for BGE and its subsidiaries. BGE was incorporated in Maryland in 1906.

Constellation Energy's merchant energy business is a competitive provider of energy solutions for a variety of customers. It has electric generation assets located in various regions of the United States and provides energy solutions to meet customers' needs. Constellation Energy's merchant energy business focuses on serving the full energy and capacity requirements (load-serving) of, and providing other energy products and risk management services for, various customers.

Constellation Energy's merchant energy business includes:

a power generation and development operation that owns, operates, and maintains fossil and renewable generating facilities, and holds interests in qualifying facilities, fuel processing facilities and power projects in the United States;

a nuclear generation operation that owns, operates and maintains nuclear generating facilities;

a customer supply operation that primarily provides energy products and services relating to load-serving obligations to wholesale and retail customers, including distribution utilities, cooperatives, aggregators, and commercial, industrial and governmental customers; and

a global commodities operation that manages contractually controlled physical assets, including generation facilities, natural gas properties and international coal and freight assets, provides risk management services and trades energy and energy-related commodities.

Constellation Energy's other nonregulated businesses:

design, construct and operate renewable energy, heating, cooling and cogeneration facilities and provide various energy-related services, including energy consulting, for commercial, industrial and governmental customers throughout North America;

provide home improvements, service heating, air conditioning, plumbing, electrical and indoor air quality systems, and provide natural gas to residential customers in central Maryland; and

develop and deploy new nuclear plants in North America.

Constellation Energy common stock is publicly traded on the NYSE under the symbol CEG. Constellation Energy's principal executive offices are located at 100 Constellation Way, Baltimore, Maryland 21202. The telephone number is (410) 470-2800. For more information about Constellation Energy, please visit our website at www.constellation.com. Our website address is provided as an inactive textual reference only.

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The information provided on our website is not part of this proxy statement, and is not incorporated herein by reference. See also [Where You Can Find More Information](#) beginning on page 91.

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MidAmerican Energy Holdings Company

MidAmerican is a holding company that owns subsidiaries that are principally engaged in energy businesses. MidAmerican is a consolidated subsidiary of Berkshire. The balance of MidAmerican's common stock is owned by a private investor group comprised of Mr. Walter Scott, Jr. (along with family members and related entities), who is a member of MidAmerican's board of directors, Mr. David L. Sokol, its Chairman, and Mr. Gregory E. Abel, its President and Chief Executive Officer. As of September 30, 2008, Berkshire, Mr. Scott (along with family members and related entities), Mr. Sokol and Mr. Abel owned 88.2%, 11.0%, % and 0.8%, respectively, of MidAmerican's voting common stock and held diluted ownership interests of 87.4%, 10.9%, 0.7% and 1.0% respectively.

MidAmerican's operations are organized and managed as eight distinct platforms: PacifiCorp, MidAmerican Funding, LLC, which primarily includes MidAmerican Energy Company, Northern Natural Gas Company, Kern River Gas Transmission Company, CE Electric UK Funding Company, which primarily consists of Northern Electric Distribution Limited and Yorkshire Electricity Distribution plc, CalEnergy Generation-Foreign, which owns a majority interest in the Cascanan project in the Philippines, CalEnergy Generation-Domestic, which owns interests in independent power projects in the U.S., and HomeServices of America, Inc. Through these platforms, MidAmerican owns and operates an electric utility company in the Western U.S., a combined electric and natural gas utility company in the Midwestern U.S., two interstate natural gas pipeline companies in the U.S., two electricity distribution companies in Great Britain, a diversified portfolio of independent power projects and the second-largest residential real estate brokerage firm in the U.S.

MidAmerican's energy subsidiaries generate, transmit, store, distribute and supply energy. Approximately 91% of MidAmerican's operating income in 2007 was generated from rate-regulated businesses. As of September 30, 2008, MidAmerican's electric and natural gas utility subsidiaries served approximately 6.2 million electricity customers and end-users and approximately 0.7 million natural gas customers. MidAmerican's natural gas pipeline subsidiaries operate interstate natural gas transmission systems that transported approximately 8% of the total natural gas consumed in the U.S. in 2007. These pipeline subsidiaries have approximately 17,000 miles of pipeline in operation and a design capacity of 6.9 Bcf of natural gas per day. As of September 30, 2008, MidAmerican had interests in approximately 17,000 net owned MW of power generation facilities in operation and under construction, including approximately 16,000 net owned MW in facilities that are part of the regulated asset base of our electric utility businesses and approximately 1,000 net owned MW in non-utility power generation facilities. The majority of MidAmerican's non-utility power generation facilities sell substantially all of their energy and/or capacity under long-term contracts.

MidAmerican's principal executive offices are located at 666 Grand Avenue, Suite 500, Des Moines, Iowa 50309-2580, and its telephone number is (515) 242-4300.

MEHC Merger Sub Inc.

Merger Sub is a Maryland corporation and a wholly-owned subsidiary of MidAmerican. Merger Sub was formed solely for the purpose of facilitating MidAmerican's acquisition of Constellation Energy. Merger Sub has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the merger agreement. MidAmerican intends to transfer the ownership of Merger Sub to Constellation Holdings LLC immediately prior to consummation of the merger. Constellation Holdings is a wholly-owned subsidiary of MidAmerican and has not carried on any activities to date, except for activities incidental to formation and activities undertaken in connection with the transactions contemplated by the merger agreement. It was formed solely for the purpose of owning Constellation Energy and facilitating such acquisition, including through the interposition of ring-fencing protections for Constellation Energy. Upon consummation of the proposed merger, Merger Sub will merge with and into Constellation Energy and will cease to exist, with Constellation Energy continuing as the surviving corporation. Merger Sub's address is c/o MidAmerican Energy Holdings Company, 666 Grand Avenue, Suite 500, Des Moines, Iowa 50309-2580. The telephone number is (515) 242-4300.

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Background of the Merger

Throughout 2008, Constellation Energy, due to its significant merchant energy operations (and particularly its large global commodities trading business), has had to navigate the effects of rapidly changing commodity prices. As Constellation Energy reported in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, in the first half of 2008 energy markets saw increases in prices for power of approximately 33%, for natural gas of approximately 44%, for coal of approximately 153%, and for crude oil of approximately 55%. This rapid change put financial pressure on many companies in the energy industry, including many companies with which Constellation Energy's merchant energy operations conducted business. This commodity price environment also had an impact on Constellation Energy, as highlighted in its second quarter 2008 Form 10-Q:

It experienced total mark-to-market gains for the three month period ended June 30, 2008 of \$355.9 million as a result of increased commodity prices.

Its total derivative assets increased \$4.9 billion, and its total derivative liabilities increased \$3.7 billion since December 31, 2007.

It experienced an increase in exposure to lower credit quality wholesale counterparties primarily due to the increase in coal prices. In response to this environment, Constellation Energy reported in its second quarter 2008 Form 10-Q that:

It executed several contract settlements and amended certain other contracts, primarily in the first quarter of 2008, to reduce exposure to supplier nonperformance risk and/or credit risk.

Higher commodity prices impacted the level of capital required to support Constellation Energy's business activities, and it issued an additional \$1.75 billion of letters of credit in the second quarter of 2008 to support the company's global commodities activities.

Constellation Energy and its subsidiaries issued \$1.1 billion of debt securities (including \$400 million issued by BGE) and secured an additional \$1.25 billion of available bank credit to expand available liquidity and support the capital needs of its business in the first six months of 2008.

While addressing the demands of this volatile commodity price environment, Constellation Energy was also mindful of the potential risks, stating in its second quarter 2008 Form 10-Q: As a result of the nature of our business, we are exposed to the impact of market fluctuations in the price and transportation costs of electricity, natural gas, coal, uranium and other commodities. [Constellation Energy] seek[s] to mitigate the effect of these fluctuations through various hedging strategies, which may require the posting of collateral by both [Constellation Energy] and [its] counterparties. Changes in the prices of commodities and initial margin requirements for exchange-traded contracts can affect the amount of collateral that must be posted, depending on the particular hedge position. As a result, significant changes in the prices of commodities and margin requirements for exchange-traded contracts could require [Constellation Energy] to post additional collateral from time to time, which could adversely affect [its] overall liquidity and ability to finance [its] operations, which, in turn, could adversely affect [its] credit ratings.

Constellation Energy's management, in consultation with its board of directors, also considered and actively explored a number of additional options and strategies in response to changing market conditions:

Throughout the first half of 2008, management, after consultation with the board, and with the assistance of outside financial and legal advisors, explored a range of potential operating and financing options for the global commodities business, including a potential sale of all or a portion of that business or recapitalizing that business, including through raising third-party capital for that business. Because of deteriorating conditions in the global capital markets and declining credit availability, these options became either impractical or financially undesirable, and neither was ultimately implemented. In addition, Constellation Energy considered

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reducing its exposure to the global commodities business to reduce earnings risk and variability.

In late August 2008, Constellation Energy announced that it had entered into a commitment for a \$2.0 billion credit facility with UBS Loan Finance LLC (which we refer to as UBS Finance) and RBS. It

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was expected that this credit facility could be closed and funded by October 31, 2008. The facility would provide Constellation Energy with additional liquidity that could be necessary to fund estimated additional collateral posting requirements (calculated as of July 31, 2008) in the event of a multi-notch credit ratings downgrade. The actual amount of collateral that Constellation Energy would be required to post in the event of a multi-notch downgrade fluctuates based on market conditions and contractual obligations at the time of a downgrade. Management also announced an intention to sell the company's upstream gas business and to sell or recapitalize its international coal and freight intermediation business, all as part of a broad effort to reduce the capital demands and perceived volatility of a portion of the company's commodities business by reducing exposure to commodities counterparties, releasing a significant portion of posted collateral and monetizing certain derivative positions. Management took these actions after determining in early August that the amount of additional collateral Constellation Energy could be required to post in the event of a downgrade of its credit ratings was greater than previously estimated. On August 11, 2008, in its second quarter 2008 Form 10-Q, Constellation Energy reported the revised estimates of such potential additional collateral posting requirements as of March 31, 2008 at \$129 million for a one-level downgrade, \$844 million for a two-level downgrade and \$3.23 billion for a three-level downgrade. The Form 10-Q also reported that as of June 30, 2008, these amounts were \$386 million, \$1.37 billion and \$4.57 billion, respectively, and as of July 31, 2008, the amounts were \$106 million, \$681 million and \$3.37 billion, respectively.

In late August and into early September, Michael J. Wallace, Vice Chairman of Constellation Energy, Irving B. Yoskowitz, who, prior to his retirement on October 21, 2008, served as Executive Vice President and General Counsel, and Charles A. Berardesco, who at the time served as Vice President and Deputy General Counsel and was promoted to Senior Vice President and General Counsel on October 21, 2008, at the direction of Mayo A. Shattuck, Chairman and Chief Executive Officer of Constellation Energy, held numerous meetings and discussions with one of the company's largest shareholders, EDFI, together with outside legal and financial advisors, focusing on the possibility of EDFI making a direct equity investment in Constellation Energy. EDFI owned approximately 4.9% of the outstanding shares of Constellation Energy common stock and was a joint venture partner with Constellation Energy in UniStar Nuclear Energy, LLC (UNE), which was formed in July 2007 for the purpose of developing, owning, and operating new nuclear projects in the United States and Canada. In late August and early September 2008, after discussions with Constellation Energy, EDFI, through open market purchases (rather than through a direct investment as discussed previously), increased its ownership of Constellation Energy common stock to approximately 9.5%. Under the terms of an investor agreement between Constellation Energy and EDFI, EDFI is permitted to own no more than 9.9% of Constellation Energy common stock. As a result of these additional, publicly reported open market purchases, EDFI became a substantial security holder of Constellation Energy under NYSE rules, and Constellation Energy could not thereafter sell more than an additional 4.9% of its common stock to EDFI without the prior approval of Constellation Energy shareholders.

In August and into early September, John R. Collins, who at the time served as Constellation Energy's Chief Financial Officer and who resigned from that office on October 21, 2008 and remains as Executive Vice President, and Jonathan Thayer, who at the time served as Constellation Energy's Vice President, Managing Director of Corporate Strategy and Development and Acting Treasurer and was promoted to Chief Financial Officer on October 21, 2008, worked with outside legal and financial advisors to prepare documents for potential offerings of equity securities (including convertible preferred stock), if such offerings (as an alternative to the other options being explored) became necessary or advisable to provide the company with additional liquidity without adding indebtedness to its balance sheet.

Throughout August and early September, Messrs. Collins and Thayer also remained in active dialogue with the major credit rating agencies. While a ratings downgrade could lead to a need for additional capital, it could simultaneously make it more expensive or difficult (or both) for Constellation Energy to obtain additional liquidity to fund additional capital requirements. On August 13, 2008, following the release of Constellation

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Energy's second quarter 2008 Form 10-Q, S&P downgraded the credit ratings of Constellation Energy from BBB+ with a negative outlook to BBB with a stable outlook. Subsequently, Fitch Ratings downgraded the credit rating to BBB on August 19. Moody's did not change its credit ratings for Constellation Energy, but on August 20, 2008, it announced that the company's ratings were under review for possible downgrade. On Wednesday, September 10, 2008, Messrs. Collins and Thayer, along with other management, met with representatives of Moody's to discuss Constellation Energy's activities to increase available liquidity and its strategic plans with respect to the global commodities business. Messrs. Collins and Thayer received an indication from Moody's that it did not expect to take any action on Constellation Energy's credit ratings until early October.

On Friday, September 12, 2008, Constellation Energy's board of directors held a telephonic meeting to review the status of all of these activities. Mr. Shattuck and other senior management reported on the status of work to complete the recently announced supplemental \$2.0 billion credit facility, continuing efforts to negotiate an additional equity investment from EDFI, the possibility of offering equity securities in the market generally, and the status of the other announced strategic initiatives designed to reduce the collateral requirements and volatility of the company's global commodities business. The directors and management also discussed the potential impact on Constellation Energy of the continued deterioration of global financial and capital markets and the continued constriction of credit availability. Messrs. Collins and Thayer also updated the board on the Company's ongoing discussions with the credit rating agencies. In light of the adverse capital and credit market changes, and dependant in part on the company's progress with respect to its various strategic initiatives and the reactions of the ratings agencies, Messrs. Collins and Thayer advised the board of their view that the company might need to raise between \$500 and \$750 million of new equity to protect the company's investment-grade credit rating. In light of the status of the various initiatives and the expectation that Moody's would not take any further action for approximately three weeks, Constellation Energy's board of directors tentatively agreed to meet again on September 19, 2008.

On Monday, September 15, 2008, Lehman announced that it had filed a voluntary bankruptcy petition in the U.S. Bankruptcy Court for the Southern District of New York. On the same day, Merrill Lynch announced that it had agreed to be acquired by Bank of America, ending speculation about whether Merrill Lynch would be able to survive as a stand-alone investment bank or might be required to file for bankruptcy protection. At the same time, there were serious concerns in the marketplace about whether insurance giant American International Group would remain solvent.

This began a week of unprecedented change and chaos on Wall Street that reflected widespread fears about the viability of financial institutions, including both commercial banks and investment banks, and serious concerns about the stability of any business that required access to credit markets to support liquidity needs or that required substantial access to the capital markets to function. By the end of the week, the only two remaining large, independent U.S. investment banks, Morgan Stanley and Goldman Sachs, had agreed to become bank holding companies and be subject to greater regulation in exchange for access to broader capital through the Federal Reserve System; the U.S. government had agreed to an \$85 billion loan to American International Group; and the federal government was working to implement an unprecedented \$700 billion rescue package in an attempt to restore order to the U.S. financial and banking system and unlock frozen credit markets.

The Dow Jones Industrial Average dropped almost 500 points, or 4.4%, on September 15, 2008. The trading price of Constellation Energy's common stock dropped nearly 18%, to a new 52-week low of \$47.99, on trading volume of more than 8 million shares, or over twice the average trading volume of the company's common stock over the 30 prior days. As financial firms and businesses that required substantial credit support sought to provide reassurance about their continued ability to function, Constellation Energy faced rapidly growing doubts among investors and business partners about its ability to navigate through the market crisis. During the day, rumors circulated about the possibility of UBS Finance and RBS withdrawing their \$2.0 billion credit facility commitment and the effects of a Lehman bankruptcy on Constellation Energy's business. In response to these concerns, late in the afternoon on September 15, 2008, Constellation Energy filed a Current Report on Form 8-K

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to address market rumors about its exposure to Lehman. In this filing, Constellation Energy stated that it did not believe the Lehman bankruptcy and the possible resulting effects on subsidiaries of Lehman would have a material adverse effect on Constellation Energy or its subsidiaries.

The disclosure in the Form 8-K filed on September 15, 2008 did not eliminate market volatility associated with Constellation Energy's situation and prospects. Beginning at approximately 1:00 p.m. on Tuesday, September 16, 2008, the trading price of Constellation Energy common stock declined precipitously to an intra-day low of \$13.00, before closing down by 36%, at \$30.76, on trading volume of more than 41 million shares. When the share price hit \$13.00, the NYSE temporarily halted trading of the company's common stock. According to several analyst reports, the significant price decline was driven by unsubstantiated market speculation about Constellation Energy's potential credit exposure to Lehman and continued rumors that RBS and UBS Finance were withdrawing from their commitment for the \$2.0 billion credit facility. A JPMorgan analyst report entitled *No reason to step in front of the bus*, advised investors to remain on the sidelines amid concerns about liquidity, capital and trading counterparties. As a result of market rumors, certain counterparties in the natural gas industry ceased trading with Constellation Energy, and certain European counterparties requested adequate assurance of performance, which could have resulted in Constellation Energy being required to provide additional collateral in amounts that Constellation Energy would have been unable to provide. On the same day, Reuters reported that the price of Constellation Energy's credit default swaps, which are available to insure against a default on the debt of Constellation Energy, had increased 60% to 478 basis points, from 304 basis points on September 15, 2008. The price of credit default swaps on Constellation Energy debt had fluctuated between 140 and 200 basis points as recently as the end of August 2008.

On the morning of September 16, 2008, Mr. Shattuck called Jeffrey Holzschuh, Vice Chairman, Managing Director and Head of Global Power Utilities of Morgan Stanley, and asked that he and other representatives of Morgan Stanley come immediately to Constellation Energy's Baltimore headquarters to advise on the company's options to address the situation. For additional discussion about Morgan Stanley, see *The Merger Opinion of Constellation Energy's Financial Advisor* Other on page 53. On September 17, Constellation Energy asked UBS Securities LLC (which we refer to as UBS Securities) to serve as an additional financial advisor to assist Constellation Energy in reviewing certain strategic alternatives, including a potential merger or sale. However, UBS Securities was not asked to and did not provide any written reports or analyses to Constellation Energy's management or board of directors in this role. Constellation Energy had previously retained UBS Securities in August, 2008 to act as a bookrunner on potential capital market transactions Constellation Energy might seek to pursue at the same time that it had engaged UBS Finance to provide fifty percent of the planned new \$2.0 billion credit facility commitment.

Constellation Energy selected UBS Securities as a financial advisor in connection with the merger because UBS Securities is an internationally recognized investment-banking firm with substantial experience in similar transactions and in the energy industry. UBS Securities is continually engaged as an advisor in connection with mergers and acquisitions, leveraged buy-outs, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities and private placements. UBS Securities will receive a fee of \$20 million for its services, of which \$5 million was paid upon announcement of the merger, \$5 million will be paid upon approval of the merger by Constellation Energy shareholders, and the remaining \$10 million becomes payable upon the closing of the merger.

Given the fast and substantial negative turn in market conditions, the management team was concerned that a further erosion of confidence in Constellation Energy's ability to support its business, whether fueled by market speculation, the effect of a ratings downgrade or fallout from the broader financial and credit market conditions, could lead to demand for additional collateral that would require more liquidity than Constellation Energy had or could access in a short time, particularly in these volatile markets. Accordingly, Messrs. Yoskowitz and Berardesco also instructed outside legal advisors to begin preparing for a possible bankruptcy filing, as a contingency.

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Throughout the day on September 16, 2008, Messrs. Wallace and Yoskowitz held discussions with representatives of EDFI about EDFI's potential interest in making an additional equity investment in Constellation Energy. Constellation Energy proposed to EDFI that it invest between \$450 million and \$500 million. No agreement was reached.

At approximately 2:15 p.m. on September 16, 2008, Mr. Shattuck received an unsolicited call from David Sokol, the chairman of MidAmerican. Neither Mr. Shattuck nor any other executives of Constellation Energy had spoken previously with Mr. Sokol or any other executives of MidAmerican, although Constellation Energy senior management was aware that MidAmerican had access to capital through its parent company, Berkshire. Operating subsidiaries of Constellation Energy and MidAmerican maintain arms-length business relationships that are customary between energy companies, including with Constellation Energy's global commodities business. These relationships include trading standard energy products, such as electricity, capacity and natural gas with subsidiaries of MidAmerican, and tolling agreements pursuant to which subsidiaries of Constellation Energy purchase electricity generated by generating facilities owned by subsidiaries and affiliates of MidAmerican.

Mr. Sokol indicated that his company was interested in a possible transaction with Constellation Energy and that he was prepared to fly to Baltimore that day to meet with Mr. Shattuck. In light of the extreme market conditions and market rumors that Constellation Energy was facing an immediate liquidity crisis and a potential ratings downgrade, Mr. Shattuck requested that Mr. Sokol arrive in Baltimore by 6:00 p.m.

Following the call from Mr. Sokol, Mr. Shattuck returned the unsolicited call of the chief executive officer of another company in the energy industry who indicated that his company might be interested in making an investment in Constellation Energy, if that was of interest to Constellation Energy. Morgan Stanley also received an unsolicited call from a private equity firm that said it might be interested in a transaction with Constellation Energy.

Management called for an emergency telephonic board meeting at 5:00 p.m. on September 16, 2008. Representatives of Cleary Gottlieb Steen & Hamilton LLP (which we refer to as Cleary), who were advising the company on a potential investment by EDFI, attended the meeting. At the meeting, management reviewed the day's events and discussed the potential for downgrades in the company's credit ratings and the anticipated impact of such downgrades on the company's business. Messrs. Shattuck and Collins advised the board that, in light of events over the last two days, and ongoing discussions with counterparties and ratings agencies, management believed the company needed to move immediately to arrange for a substantial additional equity investment in the company. Management noted that the \$2.0 billion credit facility commitment from UBS Finance and RBS was not an immediate source of additional liquidity, as it was not expected to close until sometime in late October. Messrs. Shattuck and Collins advised the board that, in their view, without significant new equity immediately and assurances that UBS Finance and RBS would continue to honor their \$2.0 billion credit facility commitment, the ratings agencies were highly likely to issue an immediate further downgrade to the company's debt ratings, which would trigger additional collateral posting requirements that if not satisfied would put additional financial pressure on the company, resulting in counterparties and suppliers requesting additional financial assurances and/or ceasing doing business with the company. This, in turn, would likely render the company insolvent and force it to seek bankruptcy protection.

At this meeting, Mr. Shattuck also advised the board of the call from MidAmerican, the call from the chief executive officer of the other energy company that had expressed an interest in making an investment in Constellation Energy and the retention of Morgan Stanley and UBS Securities to advise the company on any proposed transactions. Mr. Shattuck advised the board that the other energy company expressed some interest in a transaction; however, Mr. Shattuck said that he believed it was unlikely that the other energy company would be able to move fast enough, and that there were substantial regulatory issues for any transaction with the other energy company. In response to the situation, the Board authorized Mr. Shattuck to raise up to \$1.5 billion in additional equity on the best available terms to enhance Constellation Energy's liquidity. The board also directed management to explore options with all interested third parties and to report back the next morning. The board agreed to meet again at 8:00 a.m. the next morning.

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That evening, Mr. Shattuck and a representative of Morgan Stanley, along with Thomas Brooks, who, prior to his resignation on November 10, 2008, served as Executive Vice President of Constellation Energy and President of Constellation Energy Resources, held two meetings with Mr. Sokol and Greg Abel, the president and chief executive officer of MidAmerican. At the first meeting, Mr. Shattuck outlined Constellation Energy's liquidity needs and concerns about a ratings downgrade. He suggested the company could need an immediate equity investment of as much as \$1.0 billion. Mr. Sokol indicated that MidAmerican was already preparing a letter of intent outlining MidAmerican's proposal. He stated unequivocally that MidAmerican would not be willing to provide immediate equity financing unless it was part of a broader transaction for MidAmerican to acquire Constellation Energy. Mr. Shattuck stated that Constellation Energy was not looking to be acquired, but he indicated that he would review whatever proposal Mr. Sokol was willing to make.

Later that same evening, Mr. Sokol presented Mr. Shattuck with a proposal that included the following principal terms:

An immediate \$1.0 billion investment in Series A Convertible Preferred Stock that would accrue dividends at a rate of 8% per annum compounding quarterly, subject to certain adjustments, and payable quarterly in cash;

Conversion of the preferred stock into 19.9% of outstanding Constellation Energy common stock, as measured on the announcement date (or 16.6% on an as-if converted basis), and a 14.0% senior secured note in aggregate principal amount of \$1.0 billion upon the earliest of (i) six months following exercise of a limited 14-day due diligence termination right (assuming Constellation Energy did not exercise its right to redeem the preferred stock at its stated value during such six-month period), (ii) termination of the merger agreement (other than due to a breach by MidAmerican or exercise of its limited 14-day due diligence termination right) and (iii) nine months following execution of the merger agreement;

The right to nominate one person to the board of directors of Constellation Energy;

Constellation Energy would be required to pay a \$25 million fee to MidAmerican upon execution of a letter of intent containing the terms of the proposal to compensate MidAmerican for all fees and expenses of its legal and financial advisors that would be incurred in connection with the drafting, negotiation and execution of such letter of intent and definitive agreements;

Constellation Energy would be required to enter into a merger agreement, contemporaneously with the execution of the purchase agreement to acquire the preferred stock, for MidAmerican to acquire Constellation Energy at a price of \$26.50 per share of Constellation Energy common stock;

Following signing of the merger agreement, MidAmerican would have a limited 14-day due diligence period to terminate the merger agreement if MidAmerican determined that since June 30, 2008 through the date of termination that the retail and/or wholesale businesses or assets of Constellation Energy taken as a whole had materially deteriorated, with an adverse change in excess of \$100 million from June 30, 2008 being deemed material;

The merger agreement would not be subject to a financing condition but closing conditions would include the absence of a ratings downgrade and Constellation Energy not having incurred net aggregate decreases in value in its trading portfolio of more than \$200 million between June 30, 2008 and the closing date; and

A customary exclusivity period lasting through 5:00 p.m. on Friday, September 19, 2008, during which Constellation Energy would not have discussions with any party other than MidAmerican and would seek to negotiate and sign definitive agreements. MidAmerican stated its offer would expire at 5:00 p.m. on September 17, 2008. Mr. Shattuck expressed dissatisfaction with the proposed merger consideration of \$26.50 per share and repeated Constellation Energy's interest in a financing transaction that did not involve a second step merger. Mr. Shattuck and a representative of Morgan Stanley also raised the following material issues related to the proposal -- increasing the

proposed

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merger price, limiting or eliminating the proposed extended due diligence right and eliminating MidAmerican's termination rights in the event of a decline in Constellation Energy's credit ratings. Mr. Sokol said MidAmerican would consider these issues and concluded the meeting by stating that he intended to leave Baltimore the next morning but understood Constellation Energy needed time to review its alternatives and would be holding a meeting of its board of directors in the morning. Mr. Sokol agreed to stay through the completion of the board meeting.

Also that evening, Messrs. Wallace, Yoskowitz Collins and Thayer held a call with senior management of the energy company whose chief executive officer had called Mr. Shattuck earlier in the day. On this call, Messrs. Wallace, Yoskowitz, Collins and Thayer learned that this energy company was interested in acquiring one or more nuclear facilities of Constellation Energy and would not be able to make the kind of rapid, substantial equity investment Constellation Energy needed. Other than indicating a general interest in one or more nuclear facilities, this energy company did not propose a price or other material terms of an offer, and no further discussions were held with this energy company.

That same evening, Mr. Thayer was advised by S&P that Constellation Energy would need to raise in excess of \$500 million of new equity, have the \$2.0 billion credit facility commitment from UBS Finance and RBS remain in place and continue to execute on its strategic plan to avoid a downgrade of its credit ratings.

At 8:00 a.m. on Wednesday, September 17, 2008, Constellation Energy's board of directors held another telephonic meeting. Representatives of Cleary attended the meeting. Mr. Shattuck updated the board on the discussions with representatives of MidAmerican and EDFI. Management summarized MidAmerican's proposal to make a \$1.0 billion equity investment in Constellation Energy and then acquire the company for \$26.50 per share in cash. Management expressed dissatisfaction with the terms of the offer because it did not believe that a sale of Constellation Energy was necessary or desirable, and especially not at the \$26.50 per share price proposed by MidAmerican, which it believed at that time to be too low. Management noted that discussions with EDFI would continue that day. Messrs. Collins and Thayer also provided an update on recent discussions with S&P and their view of general market conditions that led them to believe that Constellation Energy needed to immediately raise between \$750 million and \$1.0 billion of new equity:

Mr. Thayer noted his conversation with S&P the prior evening, in which S&P stated that in addition to the \$2 billion credit facility commitment, Constellation Energy would need to raise in excess of \$500 million of equity in order to avoid a further downgrade.

In light of S&P's comments, and given the chaotic state of financial markets and the volatility of commodity prices, Constellation Energy management believed that raising additional equity of well in excess of \$500 million, combined with the \$2.0 billion credit facility commitment, would provide the company with sufficient liquidity in both stressed credit and stressed commodity price environments. Messrs. Collins and Thayer stated that management believed, under the circumstances, that additional equity of \$750 million to \$1.0 billion was advisable because it would be sufficient to address the company's anticipated liquidity needs, would further strengthen the company's balance sheet and would guard against the potential for further credit rating downgrades.

The board directed management to continue discussions with MidAmerican, EDFI and any other interested parties and agreed to reconvene early the next morning so that management could provide an update.

At approximately 9:00 a.m. on Wednesday, September 17, 2008, Constellation Energy issued a press release announcing that:

Constellation Energy had retained Morgan Stanley and UBS Securities to advise it on strategic alternatives and that it was in talks with potential partners or buyers;

UBS Finance and RBS had confirmed to Constellation Energy that the commitment for an additional \$2.0 billion credit facility announced on August 27, 2008 remained in effect;

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estimated aggregate credit exposure, net of collateral, to financial institutions was approximately \$120 million, with no single financial institution representing more than \$28 million of net credit risk exposure; and

Constellation Energy was reaffirming its third quarter 2008 outlook of earnings per share of \$0.83 to \$0.99 and full-year 2008 earnings guidance of \$5.25 to \$5.75 per share.

That same morning, S&P placed the company on CreditWatch, developing , and cited an acute crisis of confidence facing Constellation Energy that had resulted in a decline in its stock price, a widening of its credit default swap spread and the curtailing of business activities with Constellation Energy by certain counterparties. In its release, S&P confirmed its understanding that RBS and UBS Finance continued to stand behind their \$2.0 billion credit facility commitment, but commented that the resolution of the CreditWatch would depend on the sustained availability of the \$2.0 billion bank lines, the near-term infusion of \$750 million to \$1.0 billion of equity into the company, and the completion of asset sales or an outright sale of the company. Without rapid execution of these steps to enhance liquidity in the very near term, S&P said a multiple-notch downgrade was likely, and that it did not expect the company could withstand such a rating action. S&P further indicated that it would also review its decision if the actions of another credit rating agency resulted in additional collateral posting requirements.

Also that morning, Mr. Thayer spoke with Moody's to inform them that UBS Finance and RBS remained committed to the \$2.0 billion credit facility commitment. As a result of this conversation, management believed that Moody's would not make any immediate changes to Constellation Energy's credit rating.

During the morning, Mr. Shattuck, together with Mr. Holzschuh and other representatives of Morgan Stanley, held telephonic discussions about a potential equity investment in Constellation Energy with three interested parties (other than MidAmerican and EDFI), including two energy companies and a consortium of private equity firms; however, material terms of any offer were not discussed. All of these companies agreed to send representatives to Constellation Energy's offices that day to be available for further discussions and a review of due diligence materials.

At approximately 1:30 p.m. MidAmerican delivered a draft letter of intent consistent with the terms outlined by Mr. Sokol the previous evening, including the proposed post-signing due diligence period. The letter also set forth other key proposed terms, including MidAmerican's termination rights in the event of a decline in Constellation Energy's credit ratings, MidAmerican's request for guarantees from subsidiaries of Constellation Energy to secure the promissory note issuable upon conversion of the convertible preferred stock and proposed constraints on operating Constellation Energy's business prior to the closing of a sale of Constellation Energy to MidAmerican.

Early that afternoon, Messrs. Shattuck, Collins, Yoskowitz and Berardesco met with George P. Stamas from Kirkland & Ellis LLP (which we refer to as Kirkland & Ellis), which is outside legal counsel to Constellation Energy, and Mr. Holzschuh and James Schaefer, Managing Director of UBS Securities, to discuss the situation. During the remainder of the day on September 17, 2008, Constellation Energy executives and its outside legal and financial advisors engaged in a series of simultaneous activities:

Messrs. Wallace and Yoskowitz continued telephonic discussions with senior officers of EDFI. By mid-afternoon, EDFI advised Constellation Energy that it would be willing to make an equity investment of approximately \$450 million in non-voting common stock, convertible into common stock upon obtaining all required regulatory approvals (up to the 4.9% limit permitted by the NYSE rules without prior shareholder approval), but that such investment would be conditioned on EDFI receiving assurances from S&P and Moody's that such investment would avoid a further downgrade of Constellation Energy's debt ratings and from RBS and UBS Finance that the \$2.0 billion credit facility commitment remained in place. EDFI also stated that its proposed investment would be the first step in a possible broader transaction between the two companies in the future, but no additional details were

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discussed. Early that afternoon, Constellation Energy sought relief from the NYSE on the shareholder approval requirement, so that EDFI could (if it were willing) immediately invest a larger amount in Constellation Energy. Later in the day, the NYSE denied Constellation Energy's request.

In an attempt to satisfy the conditions of EDFI's proposed equity investment, Messrs. Collins and Thayer contacted S&P and UBS Finance, each of which provided EDFI with the requested assurances. However, when Messrs. Collins and Thayer contacted Moody's, they learned that Moody's had already completed its credit review and was prepared to announce a two-notch ratings decrease to Baa3 (one notch above sub-investment grade), with a negative outlook. Constellation Energy urged reconsideration of the pending ratings downgrade and discussed with Moody's the possible EDFI and MidAmerican investment proposals. Messrs. Shattuck, Collins and Thayer then made a subsequent call to Moody's seeking to persuade it to change its view. On a subsequent call, Moody's indicated that its rating committee had convened and was unable to resolve the company's rating that evening and would take the EDFI proposal back to its committee again on the morning of September 19. However, Moody's stated that it would not comment on whether a transaction with EDFI would alter its decision to lower Constellation Energy's credit rating. Thus, Constellation Energy could not provide EDFI with the assurance it required. EDFI was quoted in Bloomberg as stating "EDF[I] has studied the opportunity of increasing its stake in Constellation Energy.... At this stage, EDF[I] considers that all conditions are not met to do so.

Messrs. Collins, Yoskowitz and Berardesco, together with Messrs. Stamas and Holzschuh reviewed the proposed letter of intent from MidAmerican and discussed the terms by telephone with Peter Hanlon and other representatives of Willkie Farr & Gallagher LLP (which we refer to as Willkie), MidAmerican's outside legal advisor, and Doug Anderson, MidAmerican's general counsel. The parties agreed to revisions to certain of the terms of the letter of intent, but Constellation Energy and its advisors were told that the material economic terms were not subject to negotiation.

Mr. Shattuck and Mr. Holzschuh met with Messrs. Abel and Sokol to discuss the terms of MidAmerican's proposal and advised them that Constellation Energy needed additional time to work through the terms of their offer and to attend to discussions with the credit rating agencies. Messrs. Abel and Sokol agreed to delay their departure to 5:00 p.m. Mr. Shattuck and representatives of Morgan Stanley asked Messrs. Abel and Sokol to consider an increase in the proposed merger consideration. However, Messrs. Abel and Sokol responded that MidAmerican would not change its proposed merger consideration. Later in the day, after the price of Constellation Energy common stock had fallen significantly (below MidAmerican's proposed merger consideration), Mr. Shattuck asked for confirmation that MidAmerican would not lower its merger consideration. Messrs. Sokol and Abel responded that the price was firm until the 5:00 p.m. deadline.

Members of Constellation Energy's senior management, including Messrs. Shattuck, Collins and Thayer and together with Mr. Holzschuh and other representatives of Morgan Stanley, met with representatives of the other potential investors and buyers who had traveled to Constellation Energy's offices in Baltimore. They outlined for these parties Constellation Energy's immediate cash needs, and parties who signed confidentiality and standstill agreements were provided with due diligence materials. Each party was also informed that there was a pending offer set to expire at 5:00 p.m. and that to remain a participant in the process, these other parties would, within the next few hours, need to address their ability to commit to providing Constellation Energy with financing of approximately \$1.0 billion and announce a definitive transaction by the close of business on Friday, September 19, 2008. None of these potential investors and buyers presented an offer to Constellation Energy.

In an effort to estimate the potential value that the company's equity holders might realize if the company were to file for bankruptcy, Messrs. Collins and Thayer, together with other members of Constellation Energy's finance department, estimated the potential fair values of the company's businesses, other than the global commodities business, at between \$12.0 and \$13.0 billion. The estimates of fair value of the company's businesses that were used reflected management's knowledge of the company's businesses and of the potential range of market values for such businesses. Such

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values did not reflect any material discount for the potential negative effects of a bankruptcy filing. Management did not value the global commodities business because it believed that the value of such business was highly unpredictable and would be subject to the greatest degree of volatility and uncertainty in a bankruptcy, however, it did take into account the potential change in valuation resulting from fluctuating commodity prices and the cost of capital. Management believed that it was reasonably possible that the global commodities business could generate a net loss of more than \$2.0 billion following a bankruptcy filing, and therefore management concluded that a loss of this magnitude was the most appropriate number to utilize in its estimate of the potential fair value of Constellation Energy. In light of these estimates, management observed that if the global commodities business, following a bankruptcy filing, generated a net loss (and thus had a negative value) of more than \$2.0 billion, then after repayment of Constellation Energy's then-outstanding indebtedness of approximately \$6.0 billion, the aggregate equity value for holders of Constellation Energy common stock would likely be less than \$26.50 per share or \$4.8 billion in the aggregate. Management's conclusions reflected the following, which did not include any reduction in values to reflect the substantial expenses of a bankruptcy process or the disruptive and damaging effects on business that management expected would result from a bankruptcy filing:

Fair value of businesses other than global commodities	\$ 12.0-\$13.0 billion
Less repayment of outstanding indebtedness	\$ (6.0 billion)
Less net loss (negative value) of global commodities business	\$ (2.0 billion)
Net equity value (before costs and expenses)	\$ 4.0-\$ 5.0 billion
Net equity value per share (before costs and expenses)	\$ 21.82-27.39

Management observed that it could not reasonably assess the magnitude of potential deterioration in the value of the company's businesses as a result of a bankruptcy filing, particularly if the company had to make an immediate filing without having a substantial debtor-in-possession loan in place to provide needed liquidity, or the impact of disruption to the business and the substantial costs and expenses of a bankruptcy process. Management also observed that the impact of a bankruptcy filing and of significant liquidity constraints would likely be most severe on the global commodities business. In addition, Mr. Collins expressed his belief that Constellation Energy would have difficulty managing its global commodities business as a result of the likely loss of counterparties willing to transact business with Constellation Energy following the initiation of bankruptcy proceedings. Additionally, Constellation Energy's ability to manage its competitive supply business also would likely be materially impaired, as customers likely would not be willing to enter into new contracts, and Constellation Energy might not be able to manage the supply requirements of its existing customers. Management concluded that, in light of this information, and taking into account the uncertainties and costs of the bankruptcy process and the significant potential for such process to negatively affect the company's business, it was likely that the \$26.50 per share price proposed by MidAmerican was more than the company's existing shareholders would receive in the event of a bankruptcy filing. Management also observed that a bankruptcy filing brought with it the potential to damage recovery by the company's creditors, whereas the transaction proposed by MidAmerican was likely to avoid such a result. Management reviewed its estimates with Morgan Stanley.

As MidAmerican's 5:00 p.m. deadline neared, Messrs. Abel and Sokol agreed to extend the 5:00 p.m. deadline to 11:59 p.m. and remain at Constellation Energy's offices until later that evening, following indications that Constellation Energy was seriously considering moving forward with MidAmerican.

At approximately 6:00 p.m., Mr. Shattuck convened a meeting with Constellation Energy's senior management team. They discussed the possibility of a ratings downgrade by Moody's and the impact that it would have on Constellation Energy's ability to continue operations. Management also expressed concern that in view of the continued deterioration of the credit and capital markets, a \$450 million equity investment (even if EDFI were willing to proceed despite Moody's position) was unlikely to be viewed by the company's trading and business partners or the ratings agencies as

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sufficient to alleviate their concerns about Constellation Energy's liquidity. Accordingly, management determined that the proposed equity investment by EDFI was not a viable alternative because of Moody's position (which did not satisfy EDFI's condition for investing). Based upon market conditions, the company's business situation, the views of the credit rating agencies, near-term insolvency risks, and MidAmerican's position that it would terminate discussions if the letter of intent was not signed that day, management concluded that absent a viable alternative proposal from one of the other parties then considering an investment in Constellation Energy, it would sign the letter of intent and recommend to the board of directors that Constellation Energy accept the MidAmerican proposal. Management determined that it could not expose the business or the company's shareholders to the risks of having no solid, substantial investment commitment to address liquidity concerns when markets opened for business on Thursday, September 18, 2008.

That evening, each of the three other firms that had come to Constellation Energy's offices advised members of management or representatives of Morgan Stanley and UBS Securities that either it would not be able to provide a definitive offer within the timeframe required by Constellation Energy or that it was not interested in a transaction that required this kind of substantial, immediate equity investment. The representatives of these firms subsequently left Constellation Energy's offices without making an offer. As of the date of this proxy statement, Constellation Energy has not received any offers from the private equity firms or other investors other than the joint proposal that was received on September 19, 2008.

In another volatile day on Wall Street, the trading price of Constellation Energy common stock had dropped another 19.5%, to close at \$24.77 per share on trading volume of almost 37 million shares. Reuters reported that the price of Constellation Energy's credit default swaps had reached a high of 617.5. The merger proposal from MidAmerican represented a 7% premium over that day's closing price.

At approximately 9:45 p.m. on September 17, 2008, Messrs. Collins and Sokol called S&P, Moody's and Fitch to inform them of the pending announcement of a transaction with MidAmerican and that they intended to be in New York on Thursday morning to discuss the specifics of the transactions. Moody's informed Messrs. Collins and Sokol that it would not make any further decisions about Constellation Energy's credit rating until after that meeting had occurred.

At approximately 11:00 p.m. on September 17, 2008, Messrs. Shattuck and Abel signed the letter of intent, with effectiveness being subject to approval by Constellation Energy's board no later than 9:00 a.m. the next morning and payment of the \$25 million fee to MidAmerican.

On the morning of Thursday, September 18, 2008, the Wall Street Journal European edition published an article stating that EDFI was expected to raise its stake in Constellation Energy or take over the company. The article, relying on the views of third parties reportedly familiar with the situation, characterized Constellation Energy as being at risk of becoming another casualty of the radiating credit crisis. The article stated that some traders reportedly had decided not to enter into contracts with Constellation Energy beginning the week of September 13 on the Intercontinental Exchange, a global commodities-trading exchange. Despite the news of a potential deal with EDFI and despite positive movement in the price of Constellation Energy stock in after-hours trading, during the morning in London, many of Constellation Energy's European trading counterparties including Morgan Stanley and EDFI expressed continued concern about their ongoing exposure to Constellation Energy's credit and ceased doing business as trading partners.

At 8:00 a.m. on September 18, 2008, Constellation Energy's board of directors convened a telephonic meeting. Representatives of Kirkland & Ellis, Morgan Stanley and UBS Securities participated in the meeting. Mr. Shattuck reported that he had executed a letter of intent with MidAmerican late the previous night, which was subject to board approval by no later than 9:00 a.m. If the board approved the letter and if Constellation Energy paid the \$25 million fee to MidAmerican, the transaction would be publicly announced. The board reviewed with management the events of the previous day and was advised of the morning's developments in

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London. Mr. Shattuck explained that senior management had decided to execute the letter of intent because it determined, in view of the events of the day and the implications of not acting immediately, the MidAmerican proposal was the only alternative available that would avoid the substantial risks of an immediate ratings downgrade and a likely near-term bankruptcy.

Management, along with Messrs. Stamas and Holzschuh, reviewed in detail with the directors the terms of the letter of intent, including the terms of the \$1.0 billion investment in convertible preferred equity, including the conversion features and the triggers for such conversion, and the proposed all-cash merger for \$26.50 per share. The directors received advice on and considered their obligations to the company and its shareholders. The board further discussed the possibility that insolvency of the company, absent a major investment in the company within the next 24-48 hours, appeared increasingly likely in view of the market's and the credit rating agencies' reaction to the company's liquidity and the continued deterioration of credit and capital markets. The board was advised that Morgan Stanley was working to prepare a fairness opinion with respect to the consideration proposed to be received pursuant to the transaction, which would be provided to and discussed with the board before it made a final decision on the transaction with MidAmerican. If, after approving the letter of intent, the board decided not to approve the definitive agreements for the proposed transactions, the letter of intent would terminate at 5:00 p.m. on September 19, 2008, and Constellation Energy thereafter would have no further obligations to MidAmerican or be subject to any restrictions on its ability to consider other transactions with other parties.

The board discussed these matters as well as the proposed equity investment by EDFI. Mr. Collins stated his view that the proposed approximately \$450 million investment by EDFI was unlikely to satisfy the ratings agencies. Management also provided information about regulatory approvals that would be required if Constellation Energy sought to pursue a broader transaction with EDFI. At the conclusion of the discussion, the board unanimously ratified and approved the execution of the letter of intent and authorized payment of the \$25 million fee to MidAmerican. The board agreed to meet again twice on Friday, September 19, 2008, in the early morning and again in the afternoon. Following the meeting, Ann C. Berzin, one of Constellation Energy's non-employee directors, advised Mr. Berardesco that she and her husband had long held a substantial investment in the equity of Berkshire. It was agreed she would advise the board of this interest and would abstain from voting on any transactions involving MidAmerican.

Mr. Shattuck promptly advised Mr. Sokol of the board's decision, and Constellation Energy paid the \$25 million fee. At approximately 9:00 a.m., Constellation Energy and MidAmerican issued a joint press release announcing that they had reached a preliminary agreement on a transaction involving an immediate \$1 billion investment by MidAmerican, to be followed by an all-cash merger for approximately \$4.7 billion, or \$26.50 per share. It was reported that under the terms of the letter of intent, the parties had until 5:00 p.m. on September 19, 2008, to enter into definitive agreements. Each party filed a Current Report on Form 8-K that afternoon attaching copies of the press release and the executed letter of intent.

During the day, an additional 30 million shares of Constellation Energy common stock were traded, but the price remained relatively stable, closing down \$0.57 at \$24.20.

Later the same morning, Messrs. Collins and Sokol traveled to New York City to meet with representatives of the three major ratings agencies to discuss the transaction and seek to persuade them that MidAmerican's investment of \$1.0 billion represented a significant improvement in Constellation Energy's liquidity position and that a ratings downgrade would be inappropriate. Following these meetings, S&P issued a research update on September 18, 2008 reconfirming a BBB credit rating and stating that Constellation Energy remained on CreditWatch with developing implications, although in the release S&P indicated that the MidAmerican transaction suggested confidence in Constellation Energy's business in the face of negative market sentiment. Fitch Ratings affirmed its prior rating of BBB. Although Moody's downgraded Constellation Energy to Baa2, this one-notch downgrade was not unexpected and resulted in all three ratings agencies having an equivalent rating on Constellation Energy's senior unsecured debt. However, the commentary released by Moody's expressed the greatest level of ongoing concern among the three ratings agencies. Moody's indicated that

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although it viewed the pending transaction with MidAmerican as a positive step, in its view Constellation Energy continued to face near-term challenges, including execution risks related to the MidAmerican transaction and completion of the \$2.0 billion credit facility with RBS and UBS Finance.

Beginning in the late morning on September 18 and continuing into the afternoon of September 19, Willkie provided drafts of the definitive transaction documents to Constellation Energy and its outside legal and financial advisors. Representatives of Kirkland & Ellis, Morgan Stanley, UBS Finance and Willkie, together with Messrs. Berardesco, Yoskowitz, Collins and Thayer, other members of Constellation Energy's management and legal and finance staffs, and Mr. Anderson, reviewed the drafts and engaged in negotiation of the terms by telephone throughout the remainder of the day and night and into the morning of Friday, September 19, 2008. In these negotiations, Constellation Energy and Kirkland & Ellis negotiated changes to the merger agreement that, as compared to the initial draft merger agreement prepared by MidAmerican, increased the likelihood of closing (assuming Constellation Energy's shareholders voted in favor of the merger), and provided Constellation Energy with greater flexibility to operate its business prior to closing of the merger. The material negotiated changes included the following:

the definition of Company Material Adverse Effect was narrowed to exclude any effects resulting from (a) changes in law, (b) changes in financial markets or general economic conditions, in each case other than where such effect has a disproportionate effect on Constellation Energy as compared to similarly situated persons;

the closing condition concerning the absence of any Company Material Adverse Effect was narrowed to the period between signing and closing of the merger;

the operating covenants were revised to include a carveout for actions consistent with past practice or set forth in a revised business plan approved by MidAmerican;

Constellation Energy was allowed to authorize, in the aggregate, capital expenditures up to an amount that is 3% in excess of its yearly capex budget, rather than, as had been the case, \$100,000 in excess of its capex budget;

Constellation Energy was allowed to enter into any contract in respect of fuel enrichment involving over its term an aggregate amount less than \$100 million;

Constellation Energy was allowed to enter into any contract other than a trading contract or a contract relating to certain indebtedness, so long as it involves over its term an aggregate amount less than \$100 million; and

MidAmerican's closing condition relating to Constellation Energy's credit facilities was revised to allow for delivery of a waiver as an alternative to delivery of a credit facility payoff letter.

MidAmerican also agreed to certain changes to the representations and warranties, including adding a general exception to any representation or warranty for matters disclosed in reports filed by Constellation Energy with the Securities and Exchange Commission, significantly narrowing the scope of the material contracts representation, and excluding the retail and wholesale businesses from the adverse change representation. In addition, Constellation Energy was able to negotiate a change to the damages provision to allow Constellation Energy to recover from the recipient of funds in the event that any of the shares of preferred stock to be issued pursuant to the Stock Purchase Agreement have been redeemed or any of the notes that may be issued upon conversion of such shares of preferred stock have been repaid or otherwise retired, up to the amount of the funds received thereupon in respect of the stated value of shares of preferred stock or principal amount of the notes. The parties also discussed at length the non-solicitation, fiduciary out, termination and remedies provisions of the merger agreement, but only modest changes were accepted. Willkie produced several revised drafts of all of the agreements in response to comments and discussions. Representatives of MidAmerican made clear throughout the discussions that the major economic terms of the transaction were not subject to negotiation. With the Constellation Energy board scheduled to convene again at 2:30 p.m. on September 19, all parties resolved their differences on all major terms prior to that time.

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At 8:00 a.m. on Friday, September 19, 2008, the Constellation Energy board of directors held a telephonic meeting at which senior management and Messrs. Stamas and Holzschuh provided an update on discussions with MidAmerican with respect to the definitive agreements. Representatives of UBS Securities also attended the meeting. Messrs. Shattuck and Collins emphasized the importance of having a definitive and announced agreement in place by 5:00 p.m. that day. Senior management expressed its belief that the failure to have such an agreement in place and publicly announced would lead to an immediate ratings downgrade and would likely trigger substantial difficulties with trading counterparties and business partners over the weekend, which it expected would result in the company facing a need to file for bankruptcy protection by Monday morning, September 22, 2008.

Mr. Shattuck indicated that there was no consensus as to whether another offer might be received, although a representative from EDFI had indicated by email that it was working on an alternative proposal. The board then reviewed key provisions in the definitive merger agreement. This included covenants that would restrict Constellation Energy's operating flexibility between signing and any closing and the non-solicitation and termination fee arrangements that would govern the board's ability to consider and negotiate an unsolicited alternative transaction. The board also discussed the potential impact on a competing offer of the terms of the convertible preferred stock to be acquired by MidAmerican. Mr. Shattuck reported that he was scheduled to speak later that morning with Warren Buffett, chief executive officer of Berkshire. Management also discussed the important role that MidAmerican and Berkshire could play in helping to ensure that Constellation Energy's new \$2.0 billion credit facility was completed.

At approximately 1:30 p.m. on September 19, 2008, Constellation Energy received by email an unsolicited, non-binding proposal from EDFI in which EDFI, together with Kohlberg Kravis Roberts & Co. L.P. (which we refer to as KKR) and TPG Capital, L.P. (which we refer to as TPG), proposed the following principal terms:

\$1.0 billion investment that could be funded no later than 12:00 p.m., Paris time on Monday, September 22, 2008 for a non-voting security convertible into (1) 10.4% of Constellation Energy's voting equity and 5.6% of non-voting equity, which would be convertible into voting equity upon receipt of necessary regulatory approvals (although not entirely clear from the proposal, management assumed the proposal was to acquire an aggregate of 16.0% on an as-converted basis) and (2) \$750 million aggregate principal amount of 10% senior notes; and

if of interest to Constellation Energy, negotiations would commence to acquire Constellation Energy at a price of \$35.00 per share of Constellation Energy common stock, with due diligence completed by October 9, 2008.

The letter included with it a mark-up of the equity investment portion of the term sheet between MidAmerican and Constellation Energy that had been attached to the letter of intent that was signed on September 17, 2008. EDFI, KKR and TPG indicated further that they would be prepared to move expeditiously to execute definitive agreements based on the forms of agreements negotiated with MidAmerican, subject to review of those agreements.

As required by the letter of intent with MidAmerican, Constellation Energy promptly advised Mr. Abel of the letter. Mr. Shattuck and other members of senior management of Constellation Energy then met with Messrs. Stamas and Holzschuh to discuss the letter. In this meeting, Messrs. Stamas and Holzschuh noted that the proposal did not include a mark-up of the portion of the term sheet addressing a proposed second-step merger with Constellation Energy or contain any other terms for a proposed merger, other than a proposed purchase price. Also, the proposal did not explain the allocation of ownership interests among members of the bidder group or address potential regulatory considerations, and there was no information provided as to the sources or availability of funds to finance the investment or a second-step merger. At approximately 2:20 p.m., Mr. Shattuck asked Mr. Abel to waive MidAmerican's contractual exclusivity right so that Constellation Energy and its advisors could contact representatives of EDFI and the private equity firms to clarify certain aspects of the letter. Mr. Abel refused that request and reminded Mr. Shattuck of the terms of the exclusivity provisions in the letter of intent. As a result, management did not believe it was within its rights to contact EDFI and the private

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equity firms. He also reiterated that if the definitive agreements were not approved by the Constellation Energy board and signed by 5:00 p.m., MidAmerican would terminate all further discussions. Following that discussion, Constellation Energy's management and its outside legal and financial advisors assessed the feasibility and desirability of the unsolicited offer, in light of the status of discussions with MidAmerican, market conditions, the company's liquidity needs, the terms of the unsolicited offer, including the timing and likelihood of completion of an alternative transaction, market expectations of a transaction announcement by 5:00 p.m. and the significant potential for a credit rating downgrade entering the weekend without any assurances there would be a committed, replacement transaction to announce before markets opened on Monday, September 22.

At approximately 2:30 p.m. on September 19, 2008, the board of directors of Constellation Energy convened a meeting to review the status of negotiations with MidAmerican and to vote on the financing and merger transactions. Messrs. Stamas, Holzschuh and Schaefer participated in the meeting. At the beginning of the meeting, Ms. Berzin advised the board that she and her husband had long held a substantial investment in the equity of Berkshire, the parent company of MidAmerican. Accordingly, she stated that she would abstain from voting on the transaction with MidAmerican.

The board again reviewed its obligations to the company and its shareholders and then reviewed the significant terms of the proposed MidAmerican financing and the merger agreement. It also discussed consequences of a termination of the agreement, including the Company's right to consider other unsolicited acquisition proposals and the terms and potential impact on a competing offer of the conversion of the \$1 billion of convertible preferred stock investment and the terms of the securities into which it was convertible. Mr. Shattuck provided the board with management's evaluation of the likelihood that MidAmerican would find a basis to terminate the merger agreement pursuant to the limited 14-day termination right. The board also discussed in detail the issue of required regulatory approvals, the standard in the merger agreement for obtaining such approvals and management's views of the likelihood of securing the required approvals on acceptable terms. It was noted that MidAmerican had successfully obtained state approvals for other similar transactions, and that management had a high confidence in being able to obtain regulatory approval of a merger with MidAmerican. Mr. Shattuck also reviewed discussions with Maryland state officials, including the Governor, presiding officers of the State Senate and House of Representatives and the chair of each committee with jurisdiction over energy matters over the previous 36 hours. The discussions involved courtesy calls to brief the Maryland state officials on current conditions at Constellation Energy of which they were likely aware from Constellation Energy's own press releases as well as media stories, and to notify them directly of a potential transaction with MidAmerican. Mr. Shattuck noted that there had been a generally positive reaction to the prospect of a transaction with MidAmerican. Mr. Shattuck also reported that he had a productive telephone conversation with Warren Buffett in which he sought assurances from Mr. Buffett that he was committed to the merger. Although the conversation was short, Mr. Buffett said he was supportive of the transaction and Constellation Energy's nuclear efforts and told Mr. Shattuck that he always honors his deals.

Mr. Holzschuh reviewed the key economic terms of the proposed transaction. He reviewed Constellation's share price performance, noting the rapid decline in the share price, particularly in September, and compared it to share price performance in the energy and investment bank/trading operations sectors, noting that in particular investment and trading operations had been under significant pressure due to liquidity and solvency concerns in the marketplace generally. Mr. Holzschuh then reviewed with the board Morgan Stanley's financial analysis of the consideration to be received in the proposed merger and provided Morgan Stanley's oral opinion, confirmed by delivery of a written version dated September 19, 2008, to the effect that, as of such date and subject to the assumptions made, matters considered and limitations on the review undertaken, the \$26.50 per share cash consideration to be received by the holders of Constellation Energy common stock pursuant to the merger agreement was fair from a financial point of view to such holders. For a full discussion of the Morgan Stanley opinion delivered to the board of directors, see "The Merger Opinion of Constellation Energy's Financial Advisor" beginning on page 46.

The board then discussed the risks associated with not accepting the MidAmerican proposal, particularly the risk of immediate negative credit rating agency reactions and the expected consequences of such action.

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Mr. Collins repeated his belief that at least Moody's would immediately downgrade the company if the execution of definitive agreements were not announced that day. Management and the board discussed the fact that in the event of a two-notch ratings downgrade to below investment grade, the amount of additional collateral that management expected the company would be required to post would exceed amounts available from cash on hand and availability under existing funded credit facilities (as the \$2.0 billion credit facility commitment with UBS Finance and RBS would not be available until late October) and that absent any viable alternatives to obtain additional liquidity, counterparties would likely cease doing business with Constellation Energy and Constellation Energy would have no choice but to file for bankruptcy protection.

Mr. Shattuck then advised the board of the unsolicited offer that had been received from EDFI and the two private equity firms. He and the company's financial advisors reviewed the terms of that offer, and the board discussed potential advantages and disadvantages of the offer given the concerns in the market and among the company's business partners and the rating agencies about the company's liquidity.

Following these discussions, and extensive review and discussion among the members of the board of directors, management and representatives of Morgan Stanley, including consideration of the factors described under "The Merger Constellation Energy's Reasons for the Merger; Recommendation of the Constellation Energy Board of Directors" beginning on page 44, the board of directors (with Ms. Berzin abstaining in light of her investment in the equity of Berkshire), determined that the transactions contemplated by the merger agreement and the related transactions and agreements are advisable and in the best interests of Constellation Energy and its shareholders, and the directors voted to approve the merger, to approve and adopt the merger agreement and to approve the related transactions and agreements.

At approximately 4:50 p.m., Mr. Shattuck advised Mr. Abel of the board's decision.

During that day, Messrs. Collins and Thayer came to the view that Constellation Energy would need to have access to a total of \$3.0 billion of additional liquidity to avoid a further credit ratings downgrade. This would be comprised of the \$1.0 billion investment by MidAmerican and the \$2.0 billion credit facility commitment from UBS Finance and RBS. Messrs. Collins and Thayer reached their view that a total of \$3.0 billion was necessary based on the following considerations:

In a telephonic conversation with Messrs. Collins and Thayer on September 19, 2008 representatives of Moody's advised Constellation Energy that \$3.0 billion of additional liquidity would be necessary to avoid a ratings downgrade.

Given the state of the credit markets during this period of time, Messrs. Collins and Thayer believed that Moody's was placing a low probability on Constellation Energy's ability to renew all or a portion of the \$1.38 billion of credit facilities scheduled to mature by December 29, 2008.

Constellation Energy would have been required to post additional collateral of approximately \$3.33 billion calculated as of August 31, 2008 upon a two notch credit ratings downgrade, but had only net available liquidity of \$1.57 billion on August 31, 2008, excluding the \$2.0 billion credit facility commitment from RBS and UBS Finance. As a result, there would be a shortfall of approximately \$1.77 billion if Constellation Energy experienced a two notch downgrade. This shortfall, together with the potential loss of \$1.38 billion of credit facilities at the end of the year, approximated the total \$3.0 billion of additional liquidity Moody's indicated was necessary to provide an adequate cushion against possible additional liquidity needs.

As a result, throughout the day, members of the management teams of Constellation Energy and MidAmerican engaged in a series of discussions with representatives of UBS Finance and RBS to confirm their agreement that the \$2.0 billion credit facility commitment would not be reduced by the amount of MidAmerican's \$1.0 billion equity investment in Constellation Energy. UBS Finance and RBS ultimately agreed not to treat MidAmerican's \$1 billion equity investment in Constellation Energy as a dollar-for-dollar reduction in their commitment, unless Constellation or MidAmerican terminated the merger agreement. As a condition to this agreement, MidAmerican

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agreed not to require Constellation Energy's subsidiaries to guarantee the \$1.0 billion promissory note issuable to MidAmerican upon conversion of the preferred stock, extended the maturity of that note to the end of 2009 and agreed to allow Constellation Energy to issue unlimited amounts of additional senior, unsecured debt. The changes to the definitive agreements with MidAmerican were made promptly and the changes to the credit facility commitment were subsequently documented over the ensuing 48 hours and were signed on Sunday, September 21, 2008.

MidAmerican and Constellation Energy signed the definitive agreements and issued a joint press release announcing the execution of the agreements around 5:00 p.m. on September 19, 2008.

During the day, nearly 26 million shares of Constellation Energy common stock were traded, and the price of the common stock rose for the first time in a week, closing up more than 6% at \$25.76, after trading as high as \$29.50 during the day.

At approximately 11:30 a.m. on Monday, September 22, 2008, MidAmerican completed the purchase of \$1 billion of Constellation Energy Series A Preferred Stock.

Before markets opened on Thursday, October 2, 2008, MidAmerican waived its limited 14-day due diligence termination right under the merger agreement, and the waiver was announced publicly.

Subsequent Developments

S&P issued a report dated November 3, 2008 stating that Constellation Energy's eventual liquidity needs would be predicated on the company's ability to further reduce its trading book and to implement announced strategic initiatives, including the sale of several assets. In this report, S&P indicated Constellation Energy's credit rating remained on Credit Watch with developing implications. The following day, Moody's issued an updated report in which it announced that while interim rating actions remained a possibility, it was Moody's opinion that Constellation Energy's credit profile will be impacted by the results of its shareholder vote on the proposed merger with MidAmerican.

On November 6, 2008, Constellation Energy and MidAmerican entered into put agreements to provide Constellation Energy with additional liquidity of up to \$350 million. Pursuant to the terms and conditions in the put agreements, Constellation Energy can exercise an option to require MidAmerican to acquire Constellation Energy's two-thirds equity interest in Safe Harbor Water Power Corporation, which owns a 417 MW hydroelectric generating facility located in Pennsylvania, and Constellation Energy's West Valley generating plant, a 200 MW electric generating facility located in Utah. Assuming satisfaction of the conditions to, and exercise of, the puts, the closing of the sales, including payment of the purchase price to Constellation Energy, will be subject to satisfaction of the terms and conditions of purchase agreements for the sale of the assets subject to the put. Forms of purchase agreements have been fully negotiated and are included as exhibits to the puts.

In its third quarter 2008 Form 10-Q filed with the SEC on November 10, 2008, Constellation Energy disclosed that at September 30, 2008, the cumulative collateral posting requirement for a two-notch ratings downgrade (which would be below investment grade) had declined to approximately \$2.4 billion (from \$3.4 billion on July 31 and \$4.6 billion on June 30), and net available liquidity was approximately \$2.3 billion. At October 31, 2008, these amounts were \$2.0 billion and \$1.9 billion, respectively. This amount of net available liquidity excludes the \$1.23 billion from the credit facility that closed on November 13, the liquidity of up to \$350 million if Constellation Energy exercises the put agreements entered into on November 6. The declines in collateral posting requirements are primarily due to a combination of decreasing commodities prices and the impact of the change in strategy for operating the global commodities business. This change in strategy involves reducing capital spending and ongoing expenses, scaling down the expected variability in long-term earnings and short-term collateral usage and limiting its exposure to business activities that require contingent capital support. In addition to these developments that increase liquidity, Constellation Energy said it was continuing the process of pursuing the sale of its upstream gas properties, international business, and gas trading operations.

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On November 13, 2008, Constellation Energy closed a new credit facility with RBS and UBS Finance with aggregate available borrowings of \$1.23 billion.

On November 21, 2008, Constellation Energy and MidAmerican determined that the number of shares of Constellation Energy common stock that were outstanding on the date the merger agreement was signed was 179,292,540, rather than the 178,425,915 shares set forth in the merger agreement. They subsequently agreed that this error would not be considered in determining whether Constellation Energy's representations and warranties in the merger agreement were true and correct on the date of the merger agreement, and they also confirmed that the number of shares of common stock that will be issuable to MidAmerican upon a conversion of the Series A Preferred Stock will be 19.9% of the corrected amount of shares of common stock that were outstanding on the date the merger agreement was signed (or 16.6% on an as-converted basis).

Constellation Energy's Reasons for the Merger; Recommendation of the Constellation Energy Board of Directors

In reaching its decision to approve the merger and the related transactions contemplated by the merger agreement, the board of directors of Constellation Energy, acting with the advice and assistance of its legal and financial advisors and the company's senior management, concluded that the proposed investment from and merger with MidAmerican was the best alternative available to Constellation Energy. The board of directors of Constellation Energy based this conclusion on a number of factors, including the following material factors:

Based on statements made by the ratings agencies to Constellation Energy that absent a significant immediate equity investment, one or more of the ratings agencies were likely to downgrade Constellation Energy's credit rating (possibly by two notches to below investment grade), which would trigger an obligation for Constellation Energy to post additional collateral under existing counterparty contracts and further exacerbate the crisis of confidence with its business counterparties, thereby seriously impairing Constellation Energy's ability to operate its business and likely forcing the company to file for bankruptcy protection;

Absent new additional liquidity, a two-notch downgrade in Constellation Energy's credit ratings to below investment grade would require Constellation Energy to post additional collateral in excess of amounts available from cash on hand and availability under existing, funded credit facilities, which would render the company insolvent and force Constellation Energy to seek bankruptcy protection;

Morgan Stanley's oral opinion at the meeting of the Constellation Energy board of directors on September 19, 2008, and subsequently confirmed by delivery of a written opinion dated September 19, 2008 that, as of such date and based upon and subject to the various assumptions, procedures, factors, limitations and qualifications in its opinion (some of which were non-customary), the \$26.50 per share in cash consideration to be received pursuant to the merger agreement was fair, from a financial point of view, to the holders of Constellation Energy common stock;

The efforts made by Constellation Energy's senior management and its advisors to obtain greater value than the \$26.50 per share provided for in the merger, and the recognition that the \$26.50 per share in value for shareholders was likely a greater amount for the shareholders than could be expected from a bankruptcy filing, which was the most likely alternative available given the uncertainty that any transaction other than the one proposed by MidAmerican could be completed in time;

The absence of a definitive ratings response from Moody's to the investment proposal made by EDFI on September 17, 2008, the decisions of numerous counterparties in London to cease doing business with Constellation Energy on September 18, despite a press report of a potential transaction between Constellation Energy and EDFI, and the content of discussions with both Moody's and S&P on September 17 and 18, all of which led management to believe that Constellation Energy would need \$1.0 billion of additional equity no later than Monday morning, September 22, 2008, and likely by Friday, September 19, 2008, to avoid a further ratings downgrade that likely would push Constellation Energy into bankruptcy;

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The contacts and discussions on September 16 and September 17, 2008, among Morgan Stanley, UBS Securities, Constellation Energy management and a number of different energy industry companies and private equity firms, all of which either declined to participate in the process or were unable to submit an acceptable proposal for making the necessary substantial investment in Constellation Energy within the timeframe required;

The terms of the unsolicited, non-binding acquisition proposal from EDFI, KKR and TPG submitted on the afternoon of Friday, September 19, 2008 and the fact that Constellation Energy had significant questions about the terms of the proposal that it could not address before the expiration of MidAmerican's offer because MidAmerican was unwilling to waive Constellation Energy's exclusivity obligations to MidAmerican;

Constellation Energy management's view that the proposal from EDFI, KKR and TPG did not assure the company, its shareholders, its business partners and counterparties, its creditors and the ratings agencies that a transaction would be completed quickly and would take the place of the MidAmerican equity investment, which Constellation Energy would be forced to decline in order to pursue discussions and negotiations with EDFI, KKR and TPG;

MidAmerican's willingness to make an immediate \$1.0 billion equity investment in Constellation Energy only if there was a definitive agreement in place at the time of that investment for the second-step, \$26.50 per share all-cash merger;

The deadline in the letter of intent with MidAmerican for execution of definitive agreements by 5:00 p.m. on Friday, September 19, 2008, and MidAmerican's unwillingness to extend the deadline;

The fact that the board of directors of Constellation Energy would be able to consider and negotiate an unsolicited superior proposal, taking into account the limits on such opportunities that would be imposed by the terms of the merger agreement and a potential conversion of the Series A Preferred Stock; and

The expectation that the merger would be completed on a timely basis, based on Constellation Energy's belief that a transaction with MidAmerican involved substantially less regulatory risk than other possible transactions, based in part on MidAmerican's track record in obtaining state approvals for other similar transactions and general discussions with Maryland state officials about a possible transaction with MidAmerican and Mr. Shattuck's conversation with Warren Buffett.

The board of directors of Constellation Energy also considered certain terms of the merger and the related transactions that were required by MidAmerican as conditions to its willingness to enter into the merger agreement, including:

The potential effects of certain of the terms and provisions of the merger agreement on other parties that might be interested in proposing a competing transaction to Constellation Energy, including prohibitions on soliciting alternative transactions, a requirement to hold a shareholder meeting on the MidAmerican merger whether or not the board of directors continues to believe at the time of the shareholder meeting that the merger is fair to, and in the best interests of, Constellation Energy, and an inability to enter into an agreement for an alternative transaction prior to termination of the merger agreement with MidAmerican;

The closing conditions that would allow MidAmerican not to consummate the merger, including the absence of a material adverse effect, the requirement that all unsecured senior debt of Constellation Energy shall be rated investment grade or better with no less than a stable outlook and the requirement that, as measured two days prior to closing, the net economic value of Constellation Energy's retail and/or wholesale trading businesses or assets, taken as a whole, have not deteriorated in excess of \$400 million since June 30, 2008;

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The requirement to pay MidAmerican a \$175 million breakup fee if the merger is not completed, other than upon a termination of the merger agreement by Constellation Energy due to a breach by

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MidAmerican or if MidAmerican exercised its limited 14-day due diligence termination right, which would increase the cost to a third party seeking to make an alternative proposal to acquire Constellation Energy;

The fact that if the merger agreement were terminated, other than upon a termination by Constellation Energy due to a breach by MidAmerican, MidAmerican's \$1.0 billion preferred stock investment would convert into (1) 14.0% senior notes in a principal amount of \$1.0 billion (maturing on December 31, 2009) and (2) 16.6% of the outstanding shares of Constellation Energy common stock (on an as-converted basis and assuming that all regulatory approvals required for the issuance of all 35,679,215 shares had been received at the time of conversion), which would substantially increase the cost to a third party seeking to make an alternative proposal to acquire Constellation Energy;

The limitation of any liability against MidAmerican in the event of a breach of the merger agreement by MidAmerican to \$1.0 billion, with recourse only against the preferred stock issued to MidAmerican or the \$1.0 billion note received upon conversion of the preferred stock (or proceeds received upon any redemption of the preferred stock or repayment of the principal amount of the note), and the absence of any specific performance right against MidAmerican;

The limited 14-day due diligence period following execution of the merger agreement, which provided MidAmerican with the right to terminate the merger agreement without penalty (which MidAmerican subsequently waived before markets opened on October 2, 2008); and

The covenants restricting Constellation Energy's operation of the business between execution of the merger agreement and any closing.

The board of directors of Constellation Energy has determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of Constellation Energy and its shareholders and has unanimously approved the merger agreement (with Ms. Berzin abstaining in light of her investment in the equity of Berkshire). The board of directors of Constellation Energy recommends that Constellation Energy's shareholders vote FOR approval of the merger pursuant to the merger agreement.

The foregoing discussion of the information and factors considered by the board of directors of Constellation Energy is not exhaustive, but includes the material factors considered by the board of directors of Constellation Energy. In view of the wide variety of factors considered in connection with its evaluation of the merger and related transactions and the complexity of these matters, the board of directors of Constellation Energy did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In considering the factors described above, individual members of the board of directors of Constellation Energy may have given different weight to different factors. The board of directors of Constellation Energy conducted an analysis of the factors described above, including thorough discussions with, and questioning of, the management of Constellation Energy and Constellation Energy's legal and financial advisors, and reached the consensus that the merger, as initially proposed and as subsequently amended, was advisable and in the best interests of Constellation Energy and Constellation Energy's shareholders.

Opinion of Constellation Energy's Financial Advisor

In accordance with an engagement letter, dated September 17, 2008, Constellation Energy formally retained Morgan Stanley to act as Constellation Energy's financial advisor in connection with the transaction. On September 19, 2008, Morgan Stanley rendered its oral opinion, subsequently confirmed in writing, to Constellation Energy's board of directors that as of such date and, based upon and subject to the assumptions, qualifications and limitations set forth in the opinion (some of which are non-customary due to the unique circumstances in which the merger was negotiated), the consideration to be received by the holders of Constellation Energy common stock pursuant to the merger agreement was fair, from a financial point of view, to such shareholders. Morgan Stanley did not receive any instructions from Constellation Energy regarding the preparation of its opinion or the scope of its investigation. Also, Constellation Energy did not impose any limitation on the scope of Morgan Stanley's investigation.

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THE FULL TEXT OF MORGAN STANLEY'S WRITTEN FAIRNESS OPINION DATED SEPTEMBER 19, 2008 IS ATTACHED AS ANNEX B TO THIS PROXY STATEMENT. MORGAN STANLEY HAS CONSENTED TO THE USE OF ITS OPINION IN THIS PROXY STATEMENT. YOU SHOULD READ THE MORGAN STANLEY OPINION FOR A DISCUSSION OF THE ASSUMPTIONS MADE, PROCEDURES FOLLOWED, FACTORS CONSIDERED AND LIMITATIONS UPON THE REVIEW UNDERTAKEN BY MORGAN STANLEY IN RENDERING ITS OPINION (SOME OF WHICH WERE NON-CUSTOMARY). THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF SUCH OPINION. MORGAN STANLEY'S OPINION IS DIRECTED TO CONSTELLATION ENERGY'S BOARD OF DIRECTORS AND ADDRESSES ONLY THE FAIRNESS FROM A FINANCIAL POINT OF VIEW OF THE CONSIDERATION TO BE RECEIVED BY THE HOLDERS OF CONSTELLATION ENERGY COMMON STOCK PURSUANT TO THE MERGER AGREEMENT AS OF THE DATE OF THE OPINION. IT DOES NOT ADDRESS ANY OTHER ASPECTS OF THE MERGER OR OF THE \$1.0 BILLION CONVERTIBLE PREFERRED STOCK FINANCING AND DOES NOT CONSTITUTE A RECOMMENDATION TO ANY COMMON SHAREHOLDER OF CONSTELLATION ENERGY AS TO HOW TO VOTE AT THE SPECIAL MEETING. FURTHER, MORGAN STANLEY'S OPINION WAS NECESSARILY BASED ON FINANCIAL, ECONOMIC, MARKET AND OTHER CONDITIONS AS IN EFFECT ON, AND THE INFORMATION MADE AVAILABLE TO MORGAN STANLEY AS OF, THE DATE OF THE OPINION. MORGAN STANLEY ASSUMED NO RESPONSIBILITY FOR UPDATING OR REVISING ITS OPINION BASED ON CIRCUMSTANCES OR EVENTS OCCURRING AFTER THE DATE OF THE OPINION AND CONSTELLATION ENERGY DID NOT REQUEST SUCH UPDATE AND DOES NOT ANTICIPATE SUCH REQUEST. THE MERGER AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS HAD BEEN NEGOTIATED AND REVIEWED, AND MORGAN STANLEY RENDERED ITS OPINION, ON A HIGHLY EXPEDITED BASIS AS CONSTELLATION ENERGY HAD VERY LITTLE TIME AVAILABLE TO EXECUTE ANY TRANSACTION THAT WOULD ALLOW IT TO AVOID FILING FOR BANKRUPTCY.

In arriving at its opinion, Morgan Stanley among other things:

Reviewed certain publicly available financial statements and other business and financial information of Constellation Energy;

Reviewed certain publicly available business and financial information of MidAmerican;

Reviewed certain internal financial statements and other financial and operating data concerning Constellation Energy prepared by the management of Constellation Energy;

Reviewed certain financial projections prepared by the management of Constellation Energy;

Discussed the past and current operations and financial condition and the prospects of Constellation Energy with senior executives of Constellation Energy;

Reviewed the reported prices and trading activity for Constellation Energy common stock;

Reviewed the trading activity and price of Constellation Energy's credit default swaps with those of companies comparable with Constellation Energy;

Compared the financial performance of Constellation Energy and the prices and trading activity of Constellation Energy common stock with those of certain other publicly-traded companies comparable with Constellation Energy;

Reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;

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Participated in certain discussions and negotiations among representatives of Constellation Energy and MidAmerican and their financial and legal advisors;

Reviewed the merger agreement and certain related documents; and

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Performed such other analyses, reviewed such other information and considered such other factors as Morgan Stanley deemed appropriate in light of the limited time in which Constellation Energy requested that Morgan Stanley had to prepare its opinion. When conducting a fairness analysis of a given transaction from a financial point of view to a particular target company's stockholders, Morgan Stanley considers the factors and performs the procedures it deems relevant to that transaction, and there is no one size fits all approach to this analysis. With that in mind, Morgan Stanley did view the consideration of the above factors and the performance of the above procedures to be customary for fairness analyses of this sort.

For the purposes of its opinion, Morgan Stanley assumed and relied upon, without independent verification or expressing any views with respect to, the following facts as of the close of business on September 18, 2008, based on its discussions with Constellation Energy's management and other advisors, all of which assumed facts were viewed by Morgan Stanley as non-customary:

Constellation Energy and its principal operating subsidiaries had a limited amount of liquidity facilities available;

As a result of extraordinarily difficult market conditions in general and matters specific to Constellation Energy's financial condition, Constellation Energy was having difficulty accessing additional liquidity to support its businesses on a stand-alone basis;

As a result of credit concerns, trading counterparties of Constellation Energy had begun to cease trading with Constellation Energy;

Based on conversations with ratings agencies, Constellation Energy needed approximately \$750 million to \$1.0 billion in immediate, additional liquidity to avoid a credit rating downgrade;

The accelerated execution of previously announced asset divestitures were not going to satisfy the rating agencies' concerns;

Based on extensive recent dialogues with the rating agencies and a weakened liquidity profile, among other things, Constellation Energy believed a credit rating downgrade of one or more levels was imminent;

Given Constellation Energy's obligations, pursuant to various contracts and agreements to which it is a party, to post exponentially greater amounts of collateral upon any credit rating downgrade, and the likelihood of a significant downgrade, Constellation Energy expected that it would require immediate liquidity in an amount significantly beyond that available to Constellation Energy in the near term;

Constellation Energy had very limited options available to it that could provide Constellation Energy with the immediate liquidity it needed and the collateral it would be required to post in the event of a credit rating downgrade and, given Constellation Energy's resulting inability to operate in certain of its businesses, Constellation Energy and its subsidiaries would likely be forced into imminent insolvency or bankruptcy proceedings; and

Based on the expected treatment of Constellation Energy's businesses, assets and financing arrangements in the context of a bankruptcy, the holders of shares of Constellation Energy common stock were likely to receive value less than the consideration of \$26.50 per share of Constellation Energy common stock to be received pursuant to the merger agreement in the event of a bankruptcy or liquidation of Constellation Energy.

In arriving at its opinion, Morgan Stanley assumed and relied upon without independent verification the accuracy and completeness of the information that was publicly available or supplied or otherwise made available to it by Constellation Energy and formed a substantial basis for Morgan Stanley's opinion. With respect to the financial projections, Morgan Stanley assumed that they had been reasonably prepared on bases reflecting the best available estimates and judgments of the management of Constellation Energy of the future financial

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performance of Constellation Energy without considering the then current credit and liquidity issues facing Constellation Energy. Morgan Stanley noted that it had not reviewed, nor been provided with, any financial projections for Constellation Energy that were prepared assuming the then current credit and liquidity conditions of Constellation Energy. Morgan Stanley further noted that, given the extreme changes in then current market conditions, the volatility in Constellation Energy's stock price driven in principal part by solvency concerns and the resulting lack of relevance of traditional valuation analyses (such as reviewing discounted cash flow analysis or an analysis of the trading metrics of comparable companies) to Morgan Stanley's analysis, it had not performed certain additional due diligence or analyses (such as reviewing discounted cash flow valuations or an analysis of trading metrics) that it would customarily conduct in connection with the rendering of a fairness opinion. Morgan Stanley further noted that not all traditional valuation analyses are appropriate to every situation, particularly one involving an entity with imminent solvency concerns, and that the analyses it did perform in this instance (as further described in this summary) were appropriate to render its fairness opinion. Morgan Stanley assumed that the merger transaction will be consummated in accordance with the terms set forth in the merger agreement without any waiver, amendment or delay of any terms or conditions. Morgan Stanley assumed that, at the time of closing of the merger, all unsecured senior debt of Constellation Energy will be rated investment grade or better with no less than a stable outlook by the various credit rating agencies. Morgan Stanley assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the merger, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the merger. Morgan Stanley is not a legal, tax, regulatory or bankruptcy advisor. Morgan Stanley is a financial advisor only and has relied upon, without independent verification, the assessment of Constellation Energy and its legal, tax, regulatory or bankruptcy advisors with respect to legal, tax, regulatory or bankruptcy matters. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of Constellation Energy, or concerning the solvency of Constellation Energy. In particular, it did not express any opinion as to the value of any asset of Constellation Energy, whether at current market prices or in the future. Morgan Stanley's opinion is not a solvency opinion and does not in any way address the solvency or financial condition of Constellation Energy or whether other strategic alternatives existed for Constellation Energy or if such alternatives were available. Morgan Stanley noted, however, that under the ownership of a company with adequate liquidity and capital, such as MidAmerican, the value of some or all of the assets of Constellation Energy could substantially improve, resulting in significant returns to MidAmerican if the merger was to be consummated.

Morgan Stanley did not express any opinion with respect to the fairness of the amount or nature of the compensation to any of Constellation Energy's officers, directors or employees, or any class of such persons, relative to the consideration to be received by the directors or employees, or any class of such persons, relative to the consideration to be received by the holders of shares of Constellation Energy common stock in the merger. Morgan Stanley's opinion did not in any manner address (i) the solvency of Constellation Energy, or (ii) the \$1.0 billion convertible preferred stock financing, including the fairness of the consideration to be received by Constellation Energy in such financing transaction.

Morgan Stanley's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Morgan Stanley as of, the date of its opinion. Morgan Stanley further noted the extraordinary nature of such market conditions in effect as of the date of the opinion, and the likely continuing fluctuations in such conditions. Events occurring after such date may affect its opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm its opinion.

Morgan Stanley noted that, although Constellation Energy and Morgan Stanley had initiated a process on September 16, 2008 to identify potential equity investors or acquirors and had contacted a variety of such parties beginning on the morning of September 17, 2008, who were selected based on their size (market capitalization and aggregate value), balance sheet strength, credit ratings and liquidity position, participation in and knowledge of Constellation Energy's main businesses and strategic interest in owning Constellation Energy's assets and operations, there was no prolonged auction process in light of the accelerated timetable in which the transaction

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needed to be negotiated. As noted in *The Merger Background of the Merger* beginning on page 27, all of the potential investors and acquirors that were contacted elected not to pursue an acquisition of Constellation Energy because they indicated that either they would not be able to provide a definitive offer within the timeframe required or they were not interested in a transaction that required an immediate equity investment (which was necessary in order to satisfy the ratings agencies and avoid a possible ratings downgrade). Morgan Stanley further noted that Constellation Energy had very little time to execute any transaction that would have allowed it to avoid filing for bankruptcy.

Constellation Energy has not requested that Morgan Stanley provide an update of its opinion, and Constellation Energy does not anticipate that it will make such a request.

The following is a summary of the material financial analyses used by Morgan Stanley in connection with providing its opinion to Constellation Energy's board of directors. In order to fully understand the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Rather, the analyses listed in the tables and described below must be considered as a whole; considering any portion of such analyses and of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying Morgan Stanley's fairness opinion.

*Summary of Morgan Stanley's Analyses**Summary of Historical Constellation Energy Share Price Performance and Relative Sector Performance*

Morgan Stanley reviewed Constellation Energy's historical share price performance. The last three years averages, the 6 months and 1 month averages, the intraday highs and lows for September 16 and 17, 2008 and the current share price as of September 17, 2008 are presented in the table below:

Constellation Energy Stock Price Performance

Date	High	Low	Close
September 17	\$ 38.77	\$ 16.60	\$ 24.77
September 16	\$ 47.67	\$ 13.00	\$ 30.76
1 Month Average			\$ 60.41
6 Month Average			\$ 72.07
1 Year Average			\$ 87.24
2 Year Average			\$ 82.86
3 Year Average			\$ 68.06

In addition, Morgan Stanley reviewed Constellation Energy's weighted volume average share price. The one year average, the 3 months and 1 month averages, the 20-days and 10-days averages and the weighted volume average share price as of September 17, 2008 were as follows:

Constellation Energy Weighted Volume Average Price (WVAP)

Date	\$
September 17	24.77
10-Day WVAP	36.69
20-Day WVAP	44.00
1 Month WVAP	49.23
3 Month WVAP	65.54
1 Year WVAP	75.98

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Against this background, Morgan Stanley no longer believed that Constellation Energy's share performance and average share price was comparable to its peer group companies but rather driven by liquidity and collateral concerns and a perceived bankruptcy risk (as discussed below). As a result, analysis by reference to the trading performance of Constellation Energy's peer group was no longer deemed relevant.

Summary of Comparative Credit Default Swap Spreads Analyses

Morgan Stanley reviewed the annual spreads of five-year credit default swaps (CDSs) of Constellation Energy and selected entities in the power and utility industry or companies in similar positions of financial distress that it viewed as reasonably comparable with Constellation Energy. None of the selected companies was directly comparable with Constellation Energy, but the companies were chosen because they have operations within the power and utility industry that are similar to those of Constellation Energy. The results are presented in the table below:

Historical Credit Default Swap Spreads

Agency	1 Year Prior	6 Months Prior	3 Months Prior	1 Month Prior	17-Sep-08	18-Sep-08
Exelon Generation	63.8	170.2	113.8	135.3	229.2	239.2
Exelon Corp.	60.8	151.2	100.2	123.5	192.5	216.2
PPL ES	59.5	188.8	115.2	149.1	281.7	261.7
PSEG Power	49.2	166.4	99.9	128.2	238.3	247.1
IG10 Index	61.0	185.0	112.0	134.4	203.4	178.7
Lehman	92.5	443.3	252.8	304.3	706.7(1)	706.7(1)
Constellation	52.8	179.3	101.7	181.8	765.0	280.8(2)

Note:

1. Lehman CDS traded through September 12, 2008 at a closing of 706.7. Lehman filed for bankruptcy protection on September 15, 2008.
2. The execution of the letter of intent between Constellation Energy and MidAmerican was announced on September 18, 2008. Constellation Energy's spreads were significantly higher than those of some other selected companies, reflecting the higher market expectation of default.

Summary of Liquidity Analyses

Constellation Energy's merchant energy and trading businesses are significantly correlated to commodity prices, with higher prices impacting the level of capital required to support its business activities. Given this fact, Constellation Energy's collateral requirements and its available liquidity would have changed given a downgrade in credit ratings. This is because certain contracts and agreements contain provisions that would have required additional collateral upon credit ratings decreases in the senior unsecured debt of Constellation Energy beyond certain levels. Morgan Stanley reviewed management's estimates of Constellation Energy's liquidity position for the period leading up to the execution of the merger agreement and management's conclusions that a credit ratings downgrade and the increased liquidity requirements that come with such a downgrade would put the standalone viability of Constellation Energy's businesses in question.

On August 27, 2008, Constellation Energy announced that it had entered into a firm underwritten commitment for an additional \$2.0 billion credit facility and its intention to sell its upstream gas assets and sell or recapitalize the international coal and freight business.

Conversations with S&P on September 16, 2008 highlighted a need for in excess of \$500 million in additional liquidity to avoid being downgraded.

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On the morning of September 17, 2008, Constellation Energy affirmed the firm underwritten commitment for an additional \$2.0 billion credit facility, which it had previously announced on August 27, 2008. Constellation Energy furthermore announced that it had hired Morgan Stanley and UBS Securities to act in advisory capacity to evaluate strategic alternatives and was in active discussions with potential strategic partners.

Early in the evening on September 17, 2008, Moody's indicated, in a telephone conversation with Constellation Energy that it intended to downgrade Constellation Energy. In addition to such indication of a downgrade by Moody's, S&P had issued a research update on September 17, 2008, in which it announced that the sustained availability of the \$2.0 billion bank lines, which Constellation Energy had announced on August 27, 2008, the near-term infusion of equity, and the completion of the assets sale (referring to the sale of Constellation Energy's upstream gas assets and the international coal and freight intermediation businesses), or an outright sale of Constellation Energy were crucial. In its research update, S&P considered a multiple-notch downgrade likely in the absence of rapid execution of these credit supportive actions.

Morgan Stanley also reviewed publicly announced credit ratings of Constellation Energy as of September 19, 2008, as well as the corresponding commentary attached to such ratings decisions by the agencies. The ratings as of such date were as follows:

Constellation Energy Historical Credit Ratings

Agency	11-Aug-08	17-Sep-08	18-Sep-08
S&P	BBB+	BBB	BBB
Moody's	Baa1	Baa1	Baa2
Fitch	BBB+	BBB	BBB

Due to Moody's expected ratings downgrade, which was likely to have resulted in further deteriorations of Constellation Energy's liquidity and collateral situation and possibly resulting in additional ratings downgrades, Constellation Energy would have had to immediately post additional collateral to trading counterparties to avoid a breach of, or default under, certain existing contracts and agreements. The amount of required additional collateral was in excess of Constellation Energy's available liquidity. Further, liquidity requirements to participate in certain energy markets in which Constellation Energy typically operates would not have been available, thereby preventing Constellation Energy from participating in those energy markets, resulting in reduced earnings and cash flow.

Constellation Energy Valuation Summary

Morgan Stanley also considered that Constellation Energy's share price had recently decreased as a result of the following interrelated factors:

First, difficult market conditions in general and matters specific to Constellation Energy's financial circumstances had led to Constellation Energy having difficulty accessing additional liquidity.

Second, ratings agencies had announced that they were reviewing Constellation Energy for a potential credit rating downgrade triggered by concerns surrounding Constellation Energy's risk management, a weakened liquidity profile and an aggressive investment and acquisition strategy.

Third, Constellation Energy's businesses had entered into certain contracts and agreements containing provisions that would require additional collateral to be posted upon a decrease in credit ratings.

Morgan Stanley concluded that the circular link between the access to liquidity, the potential credit rating downgrade and the increased liquidity requirements that come with a downgrade had put the standalone viability of Constellation Energy's businesses in question. Furthermore, based on the alternatives presented to date, it was apparent that Constellation Energy had very limited options available that would provide an immediate and longer term liquidity solution to run its businesses.

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As a result of all of the above factors, Morgan Stanley had concluded that traditional valuation methodologies did not apply and, on the evening of September 17, 2008, Constellation Energy's board of directors was left with no time for further negotiations and was forced to decide between two alternatives:

(1) Continue to operate Constellation Energy on its own, risking a ratings downgrade which then was likely to have resulted in further deteriorations of Constellation Energy's liquidity and collateral situation and possibly further resulting in ratings downgrades which would have increased drastically the likelihood of Constellation Energy being pushed into insolvency or bankruptcy proceedings;

The nature of Constellation Energy's various businesses, assets and financing arrangements, some of which would be afforded differing treatment in bankruptcy, and the complexity of Constellation Energy's operations would have resulted in difficult issues of valuation in the event of a bankruptcy, creating significant uncertainty regarding the value of Constellation Energy common stock in such an environment. On the basis of information obtained from Constellation Energy's management regarding losses to be incurred by Constellation Energy's energy trading business, Morgan Stanley assumed, without independent verification of such information, that the holders of Constellation Energy common stock were likely to receive less than \$26.50 per share in the event of the bankruptcy of Constellation Energy; or

(2) Accept the offer from MidAmerican for \$26.50 cash per share for 100% ownership accompanied by an immediate equity injection that the ratings agencies had indicated would likely remove the specter of a downgrade or risk losing the transaction, as MidAmerican's offer would expire at 5:00 p.m. (Eastern time) on September 19, 2008.

Finally, a financial proposal received by Constellation Energy from another party for a capital injection equal to approximately \$450 million at \$50.00 per share was subject to conditions that Constellation Energy felt could not be met nor would such proposal solve Constellation Energy's liquidity problem. Other parties that expressed interest in a potential transaction or investment were unable to provide firm offers within the required short timeframe. In addition, the unsolicited proposal received from EDFI, KKR and TPG on September 19, 2008 was deemed to be non-actionable given uncertainty around regulatory approvals, financing sources and ownership structure.

Other

The preparation of a financial opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor it considered. Morgan Stanley believed that selecting any portion of its analyses, without considering all analyses as a whole, would create an incomplete view of the process underlying its analyses and opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors, and may have deemed various assumptions more or less probable than other assumptions.

Morgan Stanley reviewed the above information and prepared its analyses for purposes of providing its opinion to Constellation Energy's board of directors as to the fairness, from a financial point of view, of the consideration to be received by the holders of Constellation Energy common stock pursuant to the merger agreement. These analyses do not purport to be appraisals or necessarily reflect the prices at which the businesses or securities of Constellation Energy actually may have been sold.

In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business and economic conditions and other matters. Many of these assumptions are beyond the control of Constellation Energy. In addition, analyses based on forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. These analyses are inherently subject to uncertainty, being based upon numerous factors or

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events beyond the control of the parties or their respective advisors. Any estimates contained in Morgan Stanley's analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates.

Morgan Stanley conducted the analyses described above solely as part of its analysis of the fairness from a financial point of view of the consideration to be received by the holders of Constellation Energy common stock pursuant to the merger agreement and in connection with the delivery of its opinion to Constellation Energy's board of directors. These analyses do not purport to be appraisals or to reflect the prices at which shares of Constellation Energy common stock might actually trade.

The merger consideration was determined through arm's-length negotiations between Constellation Energy and MidAmerican and was approved by Constellation Energy's board of directors. Morgan Stanley provided advice to Constellation Energy during these negotiations. Morgan Stanley did not, however, recommend any specific merger consideration to Constellation Energy or that any specific merger consideration constituted the only appropriate merger consideration for the merger.

Morgan Stanley's opinion was one of many factors taken into consideration by Constellation Energy's board of directors in making the determination to approve the merger agreement and to recommend that Constellation Energy's stockholders approve the merger. Consequently, the review and analyses as described above should not be viewed as determinative of the opinion of Constellation Energy's board of directors with respect to the merger consideration or of whether Constellation Energy's board of directors would have been willing to agree to a different merger consideration.

Morgan Stanley is a global financial services firm engaged in the securities, investment management and individual wealth management business. Morgan Stanley was selected to act as investment banker to Constellation Energy because of Morgan Stanley's expertise and reputation and because its investment banking professionals have substantial experience in comparable transactions (including those involving Constellation Energy). Morgan Stanley, as part of its investment banking and financial advisory business, is continuously engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate, estate and other purposes. In the ordinary course of its trading, brokerage, investment management and financing activities, Morgan Stanley or its affiliates may actively trade the debt and equity securities of Constellation Energy for its own accounts or for the accounts of its customers and, accordingly, may at any time hold long or short positions in such securities. Morgan Stanley has acted as financial advisor to the board of directors of Constellation Energy in connection with the merger and will receive a fee of \$20 million for its services. Twenty-five percent of this fee (\$5,000,000) was paid upon the delivery of Morgan Stanley's opinion, 25% becomes payable upon the approval of the merger by Constellation Energy's shareholders and the remaining 50% becomes payable upon the closing of the merger. Constellation Energy has also agreed to reimburse Morgan Stanley for its expenses incurred in performing its services. In addition, Constellation Energy has agreed to indemnify and hold harmless Morgan Stanley and its affiliates, their respective officers, directors, employees and agents and each other person, if any, controlling Morgan Stanley or any of its affiliates from and against any losses, claims, damages or liabilities related to, arising out of or in connection with Morgan Stanley's engagement in the merger.

The issuance of the opinion in connection with the transaction was approved by a committee of Morgan Stanley investment banking and other professionals in accordance with its customary practice. In the two years prior to the date of the opinion, Morgan Stanley has provided financial advisory and financing services for Constellation Energy and has received fees in connection with such services. These services include participating in two of Constellation Energy's current credit facilities for a total amount of \$275 million. Specifically, Morgan Stanley is committed to provide \$225 million in Constellation Energy's \$3.85 billion five-year unsecured revolving credit facility due July 2012, \$50 million in Constellation Energy's \$750 million six-month revolving credit facility due December 2008 and \$100 million in the \$1.23 billion revolving credit facility due November 2009. In the past two years and in addition to the fees described in the preceding paragraph, Morgan Stanley and

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its affiliates have received fees in the total amount of \$5.9 million from Constellation Energy and its affiliates for their services and as compensation for their participation as a lender in Constellation Energy's credit facilities. Morgan Stanley may also seek to provide services to Constellation Energy in the future and expects to receive fees for the rendering of services. Morgan Stanley and Constellation Energy have already entered into an additional arrangement for Morgan Stanley to provide strategic advisory services in the future. The specific terms and conditions of such arrangement have not yet been agreed upon by the parties.

Common Stock Ownership of Significant Shareholders

EDFI acquired Constellation Energy common stock through open market purchases in accordance with an investor agreement between EDFI and Constellation Energy, entered into in connection with the joint venture arrangement between EDFI and Constellation Energy with respect to development of nuclear projects in the United States and Canada. Under the terms of the investor agreement, EDFI and Constellation Energy agreed on certain terms and conditions of EDFI's acquisition of Constellation Energy common stock. EDFI is permitted to acquire up to 9.9% of Constellation Energy common stock, and has agreed to vote its shares in the manner recommended by Constellation Energy's board of directors. EDFI also agreed not to, singly or as part of a group, directly or indirectly, without Constellation Energy's consent, acquire any additional securities in excess of the 9.9% ownership interest permitted by the investor agreement, participate in a solicitation of proxies, join with any other parties to form a group with respect to Constellation Energy common stock (as determined pursuant to Section 13(d) of the Exchange Act), act alone or in concert with others to seek or offer to control or influence, in any manner, our management, board of directors or policies, or seek to make a proposal or public announcement with respect to a merger, consolidation or sale of all or substantially all of the assets or a majority of the outstanding shares of Constellation Energy, or any form of restructuring, or any other proposal inconsistent with the terms of the investor agreement. Under the terms of the investor agreement, EDFI also agreed to restrictions on its ability to dispose of its shares of Constellation Energy common stock. Specifically, EDFI may not dispose of any of its shares of Constellation Energy common stock for three years from the date of the investor agreement, and the amount of shares sold by EDFI in aggregate may not exceed, in any single day, 20% of the average daily trading volume of Constellation Energy common stock over the preceding 30-day trading day period. According to the Schedule 13D filed by EDFI on September 8, 2008, as of that date EDFI owned approximately 9.51% of Constellation Energy common stock.

Financing the Merger

At the time of signing the merger agreement, MidAmerican issued \$1 billion of 11% trust preferred securities of a newly formed statutory business trust to Berkshire. The proceeds of the issuance were subsequently contributed to a direct wholly-owned subsidiary of MidAmerican, MEHC Investment, Inc. In turn, MEHC Investment, Inc. then used such funds to purchase \$1 billion of the Series A Preferred Stock.

MidAmerican will finance the approximately \$4.73 billion merger consideration through the issuance of \$2.73 billion of its common stock to Berkshire, and \$2.0 billion in aggregate principal amount of subordinated debentures issued to a statutory business trust that will be newly formed and wholly-owned by MidAmerican.

The newly formed statutory business trust will simultaneously offer \$2.0 billion in aggregate principal amount of 11% trust preferred securities to Berkshire or certain of its subsidiaries, and will invest the proceeds it receives from the 11% trust preferred securities offering in the \$2.0 billion aggregate principal amount of subordinated debentures issued by MidAmerican. The \$2.0 billion in aggregate principal amount of 11% trust preferred securities will have maturities and dividend provisions identical to comparable provisions in the subordinated debentures issued by MidAmerican, and will be substantially identical as to other terms to the prior series issued by trusts wholly-owned by MidAmerican to various Berkshire subsidiaries.

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Interests of Constellation Energy's Directors and Executive Officers in the Merger

Under the terms of various contractual agreements and corporate benefit and incentive plans, Constellation Energy's executive officers and directors will be entitled to receive certain payments and benefits in connection with the completion of the merger. The agreements and plans provide for payments and benefits under the following two circumstances:

If an individual's employment with Constellation Energy is terminated under specified circumstances following the merger; and

Upon completion of the merger, with respect to currently outstanding equity and long-term incentive awards.

Payments Due Upon a Termination of Employment

Under the terms of change in control severance agreements with six of the current executive officers of Constellation Energy, an executive officer whose employment with Constellation Energy is terminated under specified circumstances following the completion of the merger will be entitled to receive specified payments and benefits. None of these payments or benefits will be received by executive officers who remain employed with Constellation Energy for at least two years following completion of the merger. Similarly, under the terms of Constellation Energy's annual incentive bonus plan, which covers approximately 160 Constellation Energy employees (including each executive officer), an employee whose employment with Constellation Energy is terminated under specified circumstances following the completion of the merger will, notwithstanding such termination, be entitled to receive his or her annual bonus, pro-rated for the portion of the year worked.

Change in Control Agreements

Each of Henry B. Barron, Thomas F. Brady, John R. Collins, Beth Perlman, Mayo A. Shattuck and Michael J. Wallace is a party to a change in control severance agreement with Constellation Energy. We refer to the agreements (as amended and restated, if applicable) herein as the Change in Control Agreements. The completion of the merger will constitute a change in control under the Change in Control Agreements.

In general, payments and benefits under the Change in Control Agreements are intended to provide salary and bonus payments and retirement and insurance payments and benefits equal to what an executive officer whose employment is terminated following the merger would have received if the executive officer had continued to be employed for an additional two or three years (depending on the terms of the individual's agreement).

Potential Cash Severance Payments. If the employment of an executive officer who is party to a Change in Control Agreement is terminated by Constellation Energy without cause, or if the executive officer resigns with good reason (each, as such terms are defined in the executive's Change in Control Agreement), and if this occurs within two years following completion of the merger, a qualifying termination occurs. Subject to the modifications described in the following paragraph, in such event, the executive officer would become entitled to receive a lump-sum cash severance payment equal to two times (for Messrs. Barron, and Collins, and Ms. Perlman) or three times (for Messrs. Brady, Shattuck and Wallace) the sum of (i) the executive's then current annual base salary or the executive's annual base salary at the time of the merger, whichever is higher, plus (ii) the executive's average annual incentive bonus (calculated as the average of the executive's two highest annual incentive bonus amounts in the past four or five years (depending on the terms of the individual's agreement), measured from the date of the merger or the date of termination of employment, whichever is higher).

In connection with, and subject to the completion of, the merger, Mr. Shattuck has waived his right to receive payment of any cash severance to which he would otherwise be entitled under his Change in Control Agreement. In addition, in connection with, and subject to completion of, the merger, all other executive officers

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with Change in Control Agreements (other than Mr. Barron) have agreed to reduce their cash severance benefits to the lesser of (i) one times (reduced from two or three times, as applicable) their base salary and incentive bonus, and (ii) \$2 million. Constellation Energy concluded that it was not appropriate to require a reduction in the cash severance payable to Mr. Barron under his Change in Control Agreement in light of his recent commencement of employment and brief tenure with Constellation Energy.

Other Potential Severance Benefits. In the event of a qualifying termination, each executive officer who is a party to a Change in Control Agreement will receive two or three years of continued health and life insurance benefits, depending on the terms of the executive's agreement. For a discussion of other benefits payable upon termination of employment to an executive officer who is not a party to a Change in Control Agreement, see *The Merger Payments Due Upon Termination of Employment Senior Management Severance Plan* beginning on page 61.

If an executive officer who is party to a Change in Control Agreement would be subject to the excise tax as a result of Section 280G of the U.S. Internal Revenue Code of 1986, as amended, or the Code, and is required to make a payment due to the application of this section, the executive officer will receive a gross-up payment such that he or she is placed in the same after-tax position as if no excise tax had been imposed. Constellation Energy estimates, based on assumptions that it believes are reasonable, that the maximum aggregate amount of gross-up payments that could be owed to the executive officers who are parties to the Change in Control Agreements would be approximately \$2.6 million.

In addition, Constellation Energy has the right to delay payments to comply with Section 409A of the Code and the obligation to notify the executive officer if a payment would be subject to Section 409A, as well as to negotiate reasonably and in good faith to amend the terms of the arrangements between the executive officer and Constellation Energy to comply with Section 409A of the Code. Constellation Energy has also agreed not to take actions (without the executive's written consent) that would expose any benefits or payments to the executive officer to additional taxes under Section 409A of the Code and to hold the executive officer harmless for any action Constellation Energy may take in violation of these obligations.

The Change in Control Agreements also entitle Constellation Energy's executive officers to receive certain replacement options. In connection with the execution of the merger agreement, the six executive officers who are parties to Change in Control Agreements executed waivers of rights to receive equity in the surviving corporation following completion of the merger that they otherwise would have been entitled to receive under their Change in Control Agreements. The waivers terminate upon any termination of the merger agreement prior to completion of the merger.

Based upon compensation and benefit levels in effect on the date of this proxy statement and assuming that the merger is consummated on June 30, 2009 and that a qualifying termination occurs immediately thereafter, each executive officer who is a party to a Change in Control Agreement would be entitled to receive the following severance benefits in connection with the termination of such executive's employment.

Executive Officer (1)	Cash Severance Payments Upon a Qualifying Termination	Estimated Value of Continued Health Benefits
Mr. H. Barron	\$ 3,450,000	\$ 42,600
Mr. T. Brady	\$ 1,031,250	\$ 32,100
Mr. J. Collins	\$ 1,650,000	\$ 64,900
Ms. B. Perlman	\$ 1,406,250	\$ 22,000
Mr. M. Shattuck	\$ 0 (2)	\$ 54,200
Mr. M. Wallace	\$ 2,000,000	\$ 38,600

- (1) Mr. Yoskowitz retired from Constellation Energy on October 21, 2008 and Mr. Brooks resigned from Constellation Energy on November 10, 2008. While both Mr. Yoskowitz and Mr. Brooks were parties to Change in Control Agreements, neither of them will receive any compensation under those Change in

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Control Agreements or otherwise as a result of or following the completion of the merger. Consequently, Messrs. Yoskowitz and Brooks have been omitted from this and all subsequent tables and disclosures in this section of the proxy statement.

- (2) In connection with, and subject to the completion of, the merger, Mr. Shattuck has waived his right to receive payment of any cash severance to which he would otherwise be entitled under his Change in Control Agreement. Mr. Shattuck has requested that Constellation Energy donate the amount that he would have received in the event of the termination of his employment following a change of control, which would be approximately \$18 million, to the Constellation Energy Group Foundation.

For a discussion of the severance benefits that would be owed upon a termination of employment to an executive officer who is not a party to a Change in Control Agreement, see *The Merger Payments Due Upon a Termination of Employment Senior Management Severance Plan* beginning on page 61.

Potential Enhanced Supplemental Retirement Benefits. If the employment of an executive officer who is party to a Change in Control Agreement is terminated within two years following the merger, and if that termination is a qualifying termination, then the executive officer would become entitled to receive a lump-sum cash payment in respect of enhanced supplemental retirement benefits under Constellation Energy's Senior Executive Supplemental Plan, its Supplemental Pension Plan or its Benefits Restoration Plan (which we refer to collectively as the Constellation Energy Supplemental Plans), calculated as of the date of termination or the date of completion of the merger, whichever is greater, by (a) waiving any age and service eligibility requirements, (b) using a deemed average annual incentive bonus amount in lieu of any other annual incentive bonus amount, (c) adding three years of executive level service (two years for Messrs. Barron and Collins, and Ms. Perlman) to the executive's actual service, and (d) for the purpose of computing the present value of the benefit that otherwise would be paid to the executive officer at age 62, adding three years to the executive officer's age (two years for Messrs. Barron and Collins, and Ms. Perlman). In general, the enhancements are intended to provide an executive officer whose employment is terminated following the merger with the additional value that would have been received if the executive officer had continued to be employed for an additional two or three years (depending on the terms of the individual's Change in Control Agreement). For an executive officer who has satisfied the age and service eligibility requirements of the Constellation Energy Supplemental Plans as of the date of a qualifying termination (meaning that the executive officer would have been entitled to receive the executive's supplemental retirement benefit upon any termination of employment, even if the merger had not occurred), this arrangement does not provide for any accelerated vesting of such executive's supplemental retirement benefits.

Mr. Shattuck is not currently vested in any portion of the supplemental retirement benefits under the Senior Executive Supplemental Plan. None of those supplemental retirement benefits will vest on an accelerated basis or become payable to him as a result of the completion of the merger or any changes to his position, responsibilities and compensation that are contemplated by the merger.

Based upon compensation and benefit levels in effect on the date of this proxy statement and assuming that the merger is consummated on June 30, 2009 and a qualifying termination occurs immediately thereafter, each executive officer who is a party to a Change in Control Agreement would be entitled to receive the following accelerated and enhanced supplemental retirement benefits in connection with the termination of such executive's employment:

Executive Officer	Acceleration of amounts executive officer would otherwise have received if not terminated prior to standard vesting (A)	Enhancement if terminated (B)	Total potential value of acceleration and enhancement if terminated (A + B)
Mr. H. Barron	\$ 215,600	\$ 625,300	\$ 840,900
Mr. T. Brady	\$ 0	\$ 3,110,800	\$ 3,110,800
Mr. J. Collins	\$ 0	\$ 1,355,000	\$ 1,355,000
Ms. B. Perlman	\$ 0	\$ 543,700	\$ 543,700
Mr. M. Shattuck	\$0 (1)	\$ 9,367,500	\$ 9,367,500
Mr. M. Wallace	\$ 0	\$ 8,031,700	\$ 8,031,700

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- (1) In connection with the merger, Mr. Shattuck has waived his right to accelerated vesting of his net accrued benefit under the Constellation Energy Supplemental Plans that would exist only if the merger is completed. (This waiver is effective only if the merger is completed and will not apply if the merger is terminated.) As a result of this waiver, completion of the merger will have no acceleration or other impact on Mr. Shattuck's rights to receive his net accrued benefits.

Treatment of Annual Incentive Bonus in Year of Employment Termination

Pursuant to the Constellation Energy Executive Annual Incentive Plan, Constellation Energy officers and key employees are eligible for annual incentive awards based on the achievement of specified performance goals. Approximately 160 employees participate in the plan. The plan provides that if a plan participant's service is terminated within two years following a change in control (as defined in the plan), the participant will be entitled to receive an award for the performance year during which the separation from service occurs, calculated assuming the participant has achieved the maximum performance possible. The award will be pro-rated for the portion of the year worked, although the compensation committee of Constellation Energy's board of directors has the discretion to award the entire annual amount. Payment of the award will be made in a lump sum in cash within 60 days of the participant's separation from service. The completion of the merger will constitute a change in control under the Executive Annual Incentive Plan.

The following table sets forth for each executive officer of Constellation Energy who is a party to a Change in Control Agreement and for the other six executive officers as a group, such pro rata amount that each Constellation Energy executive officer would be entitled to receive, assuming consummation of the merger and termination of such executive officer's employment with Constellation Energy on June 30, 2009.

Executive Officer	Award for Year of Termination (assuming termination on June 30, 2009)	
Mr. H. Barron	\$	862,500
Mr. T. Brady	\$	281,250
Mr. J. Collins	\$	600,000
Ms. B. Perlman	\$	562,500
Mr. M. Shattuck	\$	1,950,000
Mr. M. Wallace	\$	810,000
All other executive officers as a group (6 people)	\$	2,268,750

*Treatment of Outstanding Awards Under Constellation Energy's Compensation Plans**Treatment of Constellation Energy Long-Term Incentive Plan Awards.*

Stock Options. Pursuant to the terms of the merger agreement, all options to purchase Constellation Energy common stock outstanding as of September 17, 2008 under the 2002 Senior Management Long-Term Incentive Plan, the Executive Long-Term Incentive Plan, the Management Long-Term Incentive Plan, the 1995 Long-Term Incentive Plan and the 2007 Long Term Incentive Plan (which we refer to collectively as the Constellation Energy Stock Plans), whether or not exercisable (such stock options which we refer to collectively as the Company Employee Stock Options), will be cancelled before completion of the merger. In consideration for cancellation of the Company Employee Stock Options, each holder thereof shall be entitled to receive a payment in cash equal to (i) the amount, if any, by which the merger consideration of \$26.50 per share of Constellation Energy common stock exceeds the exercise price of the Company Employee Stock Options, multiplied by (ii) the total number of shares of Constellation Energy common stock then issuable upon the exercise of the Company Employee Stock Options, without interest and less any applicable withholding taxes.

All of the Company Employee Stock Options currently held by the executive officers with Change in Control Agreements and the six other executive officers as a group described herein have exercise prices that exceed the merger consideration of \$26.50 per share and, accordingly, such Company Employee Stock Options will be canceled in connection with the completion of the merger without any consideration being paid to such executive officers in respect thereof.

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Restricted Stock, Restricted Stock Units and Performance Units. Pursuant to the terms of the merger agreement, Constellation Energy is obligated to take all actions necessary to provide for the cancellation of each award outstanding immediately prior to completion of the merger (including all restricted stock, restricted stock units and stock equivalents, but excluding Company Employee Stock Options and performance units) (such awards, excluding Company Employee Stock Options and performance units, which we refer to collectively as the Company Awards). Upon completion of the merger, each Company Award will be cancelled and each holder of Company Awards will be entitled, in cancellation and settlement for such Company Awards, to payment in cash equal to (i) \$26.50, multiplied by (ii) the total number of shares of Constellation Energy common stock that would be issuable upon full vesting of such award or for which restrictions would lapse upon full vesting of such award, without interest and less any applicable withholding taxes. Upon completion of the merger, each holder of a Company Award granted under the Constellation Energy Stock Plans, except those awards granted under the 2002 Senior Management Long-Term Incentive Plan and the Executive Long-Term Incentive Plan, will be paid on or promptly following the effective time of the merger a pro rata portion of such aggregate cancellation payment, with the pro rata portion determined based on the number of months in the vesting period that have elapsed as of the closing date of the merger as compared to the total number of months in the original vesting period. The remainder of the cancellation payment will be paid to the holder at the end of the original vesting period, subject to such holder's continued service through the applicable vesting date. Each holder of a Company Award granted under the 2002 Senior Management Long-Term Incentive Plan and the Executive Long-Term Incentive Plan will be paid on or promptly following the effective time of the merger the full amount of such cancellation payment.

Constellation Energy has issued performance units that entitle the holder up to \$2.00 per unit if specified performance targets are achieved. Under the terms of the Constellation Energy Stock Plans, a pro rata portion of all outstanding performance units under such awards will become immediately and fully vested and earned upon a change in control (as defined in the plan), with the pro rata portion determined based on the number of months in the performance period that have elapsed as of the date of the change in control as compared to the total number of months in the performance period. In addition, pursuant to the Constellation Energy Stock Plans, each outstanding performance unit that does not become vested upon a change in control pursuant to the terms of the applicable plan will expire upon a change in control such that the holder thereof will be entitled to no further payments or benefits with respect thereto. The merger will constitute a change in control under the Constellation Energy Stock Plans. If the merger is completed on June 30, 2009, the performance periods for the units awarded under the 2007 long-term incentive plan and the 2008 long-term incentive plan will not have been completed. Consequently, a pro rata portion of all outstanding performance units under such awards will become immediately and fully vested and earned upon completion of the merger, with the pro rata portion determined based on the number of months in the performance period that have elapsed as of the date of completion of the merger as compared to the total number of months in the performance period. Under the terms of the merger agreement, each outstanding performance unit that becomes vested upon the consummation of the merger will entitle the holder thereof to a payment in cash equal to \$2.00 per performance unit, without interest and less any applicable withholding taxes, and the performance units that do not become so vested will be forfeited for no consideration.

The following table sets forth for each executive officer of Constellation Energy who is a party to a Change in Control Agreement and for the other six executive officers as a group, the amount in cash, assuming completion of the merger on June 30, 2009 and a per share price of Constellation Energy common stock of \$26.50, that would be received in respect of the following: (i) performance units under the 2007 long-term incentive plan and the 2008 long-term incentive plan, and (ii) outstanding shares of restricted stock and restricted stock units that will vest upon completion of the merger. The following table does not take into account awards that will otherwise become vested in the ordinary course in accordance with the terms and conditions of such awards prior to June 30, 2009 without regard to the proposed transaction.

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	2007 LTIP Cash for 2007-2009 Performance Units	2008 LTIP Cash for 2008-2010 Performance Units	Cash Received in Respect of Unvested Restricted Stock and Restricted Stock Units
Executive Officer			
Mr. H. Barron	\$ 0	\$ 431,300	\$ 236,400 (1)
Mr. T. Brady	\$ 604,200	\$ 318,800	\$ 0
Mr. J. Collins	\$ 666,700	\$ 550,000	\$ 0
Ms. B. Perlman	\$ 500,000	\$ 300,000	\$ 0
Mr. M. Shattuck	\$ 6,666,700	\$ 4,250,000	\$ 0
Mr. M. Wallace	\$ 1,250,000	\$ 750,000	\$ 0
All other executive officers as a group (6 people)	\$ 1,421,900	\$ 1,130,000	\$ 0

- (1) Mr. Barron was granted restricted stock units on April 1, 2008 with a four year pro rata vesting period. The portion of such award that was not otherwise scheduled to become vested prior to June 30, 2009 will be converted into cash and a prorated amount of such cash (approximately \$236,400) will be paid out upon completion of the merger. The remaining portion of such cash will be paid out on the original vesting dates.

Senior Management Severance Plan

Executives who are parties to Change in Control Agreements are not eligible to participate in the Senior Management Severance Plan. Under the terms of the Senior Management Severance Plan, eligible employees whose service with Constellation Energy is terminated without cause will be eligible to receive a minimum severance payment based on number of years of service, with a minimum payment of six months (and a maximum payment of twelve months) of base salary and average bonus, plus medical and dental continuation during the severance period and executive outplacement and educational assistance. Under the plan, an individual will be deemed terminated by Constellation Energy if such individual is required to move more than 50 miles from such individual's current office location. If the employment of each of the six executive officers of Constellation Energy who are not party to a Change in Control Agreement were to be terminated (or deemed terminated), the aggregate amount of cash severance that would be payable to these executives under the Senior Management Severance Plan or the company's standard severance plans, as applicable, would be approximately \$2,371,900.

Deferred Compensation Plan for Non-Employee Directors

Pursuant to the Constellation Energy Deferred Compensation Plan for non-employee directors, notwithstanding a director's deferral elections or any other provision of the plan relating to distribution of deferred amounts, if a director's board membership terminates for any reason within one year following a change in control (as defined in the plan), the director will be entitled to a lump-sum distribution of all amounts deferred under the plan within 30 days of the termination of such board membership. The completion of the merger will be a change in control under the Deferred Compensation Plan. None of the current non-employee directors will continue as board members of the surviving company following completion of the merger. The current aggregate balance deferred under the Deferred Compensation Plan as of October 31, 2008 is approximately \$4.8 million. This balance represents deferred directors' fees plus earnings on such fees. The directors have no severance or other benefits that will be payable or continue after termination of their service on the board, including any continuing health or supplemental retirement benefits.

Indemnification and Insurance

The surviving corporation has agreed pursuant to the merger agreement to provide certain rights of indemnification to current and former directors and officers, employees or fiduciaries under benefit plans of Constellation Energy against all losses arising out of actions or omissions occurring at or prior to completion of the merger that are based on or arise out of the fact that such person is or was a director, officer, employee or

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fiduciary under benefit plans. In addition, the surviving corporation after completion of the merger has agreed to provide certain rights of indemnification with respect to losses based on or arising out of the transactions contemplated by the merger agreement and to continue to provide directors and officers of Constellation Energy directors and officers liability insurance following the completion of the merger. See The Merger Agreement Indemnification and Insurance beginning on page 85.

Material U.S. Federal Income Tax Consequences of the Merger to Our Shareholders

The following is a general discussion of certain U.S. federal income tax consequences of the merger to holders of Constellation Energy common stock who receive cash in exchange for such Constellation Energy common stock pursuant to the merger and who have no direct or indirect interest in Constellation Energy after the merger. This discussion is a summary for general information purposes only and does not consider all aspects of U.S. federal income taxation that may be relevant to holders in light of their particular investment circumstances or to certain types of holders subject to special tax rules, including partnerships, banks, financial institutions or other financial services entities, broker-dealers, insurance companies, tax-exempt organizations, regulated investment companies, real estate investment trusts, retirement plans, individual retirement accounts or other tax-deferred accounts, persons who use or are required to use mark-to-market accounting, persons that hold Constellation Energy common stock as part of a straddle, a hedge or a conversion transaction, investors in partnerships and other pass-through entities, persons who acquired Constellation Energy common stock in connection with the performance of services, persons with a functional currency other than the U.S. dollar, certain former citizens or permanent residents of the United States and persons subject to the alternative minimum tax. This discussion also does not address any U.S. federal non-income tax considerations or any state, local or foreign income or non-income tax considerations. This discussion assumes that holders hold Constellation Energy common stock as capital assets (generally, assets held for investment) within the meaning of Section 1221 of the Code. This discussion is based on the Code and applicable U.S. Treasury Regulations, rulings, administrative pronouncements and decisions as of the date hereof, all of which are subject to change or differing interpretations at any time with possible retroactive effect. The authorities on which this discussion is based are subject to various interpretations, and any views expressed within this discussion are not binding on the U.S. Internal Revenue Service (which we refer to as the IRS) or the courts. No assurance can be given that the IRS or the courts will agree with the tax consequences described herein.

This discussion applies to holders of Constellation Energy common stock who receive cash in exchange for such Constellation Energy common stock pursuant to the merger and who have no direct or indirect interest in Constellation Energy after the merger. The tax considerations of the merger may differ for holders who have any direct or indirect interest in Constellation Energy after the merger, and this discussion does not apply to such holders. Constellation Energy strongly encourages any such holder to consult such holder's own tax advisor.

For purposes of this discussion, a *U.S. Holder* is a beneficial owner of Constellation Energy common stock that is:

a citizen or individual resident of the United States;

a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organized, or treated as created or organized, in or under the laws of the United States, any State thereof or the District of Columbia;

an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust (1) if a court within the United States is able to exercise primary supervision over the trust's administration and one or more U.S. persons have authority to control all substantial decisions of the trust or (2) that has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

For purposes of this discussion, a *Non-U.S. Holder* is a beneficial owner of Constellation Energy common stock that does not qualify as a U.S. Holder under the definition above.

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If a partnership (or entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Constellation Energy common stock, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. In this event, the partner and partnership are urged to consult their tax advisors concerning the tax treatment of the merger.

EACH HOLDER OF CONSTELLATION ENERGY COMMON STOCK IS URGED TO CONSULT ITS TAX ADVISOR REGARDING THE SPECIFIC U.S. FEDERAL, STATE AND LOCAL AND NON-U.S. INCOME AND OTHER TAX CONSIDERATIONS OF RECEIVING CASH IN EXCHANGE FOR SUCH CONSTELLATION ENERGY COMMON STOCK PURSUANT TO THE MERGER.

Consequences to a U.S. Holder

A U.S. Holder that receives cash in exchange for Constellation Energy common stock pursuant to the merger and that has no direct or indirect interest in Constellation Energy after the merger will recognize capital gain or loss equal to the amount of cash received in exchange for the Constellation Energy common stock minus the U.S. Holder's adjusted tax basis in the Constellation Energy common stock. Any capital gain or loss recognized by the U.S. Holder will generally be long-term capital gain or loss if the U.S. Holder has held the Constellation Energy common stock for more than one year at the time of the disposition of such Constellation Energy common stock and short-term capital gain or loss otherwise. Long-term capital gains recognized by individuals are taxable under current law at a maximum federal income tax rate of 15%, and short-term capital gains recognized by individuals are taxable under current law at a maximum federal income tax rate of 35%. Capital gains recognized by corporations (long-term and short-term) are taxable under current law at a maximum federal income tax rate of 35%. A U.S. Holder's ability to use any capital loss to offset other income or gain is subject to certain limitations.

Consequences to a Non-U.S. Holder

A Non-U.S. Holder that receives cash in exchange for Constellation Energy common stock pursuant to the merger and that has no direct or indirect interest in Constellation Energy after the merger generally will not be subject to U.S. federal income taxation unless: