

Document title:

Savings Plan for Employees of Florida Progress Corporation Summary Plan Description

Document number:

HRI-PGNF-00012

Applies to: Progress Energy Florida, Inc. (bargaining unit employees)

Keywords: human resources information; benefits booklets; SPD

Savings Plan for Employees of Florida Progress Corporation (as amended and restated effective January 1, 2006) Summary Plan Description

The Savings Plan for Employees of Florida Progress Corporation (the “Plan”) is a qualified defined contribution retirement plan sponsored by Florida Progress Corporation for the benefit of bargaining unit employees. The Plan’s benefits are provided for the exclusive benefit of the Plan participants and their Beneficiaries. The Plan includes an Employee Stock Ownership Plan (ESOP) under Section 407(d)(6) of the Employee Retirement Income Security Act of 1974, as amended (ERISA) and Section 4975(e)(7) of the Internal Revenue Code of 1986, as amended (the “Code”). The Plan is intended to comply with the requirements of Section 401(a) and 401(k) of the Code and with all applicable provisions of ERISA.

This document is a Summary Plan Description (SPD) and constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933. It is intended to be an easy to understand explanation of your benefits under this Plan. It does not, however, include all Plan provisions, especially those relating to situations that are unlikely to occur or that could affect only a few participants. The official plan document contains the full Plan details. If a description in this document or any oral representation differs from the Plan documents, the Plan documents will govern.

Participation in the Plan is not an offer or guarantee of employment and does not create an employment contract with any employee. Progress Energy, Inc. reserves the right to modify, suspend, amend or terminate this Savings Plan at any time in its sole discretion.

This document constitutes a part of a prospectus covering securities that have been registered under the Securities Act of 1933. 1,000,000 shares of common stock of Progress Energy, Inc. are registered and available for purchase under the Progress Energy Stock Fund under the Plan.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this SPD and prospectus is July, 2008.

Reference Forms – Progress Energy Intranet

<i>FRM-PGNF-00100</i>	<i>FPC Savings Plan Enrollment Form (Bargaining Unit Employees)</i>
<i>FRM-PGNF-00101</i>	<i>FPC Savings Plan Beneficiary Designation Form (Bargaining Unit Employees)</i>
<i>FRM-PGNF-00102</i>	<i>FPC Savings Plan Rollover Form (Into the Plan) - Bargaining Unit Employees</i>
<i>FRM-PGNF-00103</i>	<i>FPC Savings Plan Hardship Withdrawal Form (Bargaining Unit Employees)</i>
<i>HRI-PGNF-00014</i>	<i>Savings Plan for Employees of Florida Progress Corporation Prospectus</i>

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Foreword

This SPD explains the details of the Savings Plan for Employees of Florida Progress Corporation (the Plan). In this SPD, “the company” means Florida Progress Corporation.

The purpose of the Plan is to encourage systematic and diversified retirement saving by employees. When you contribute to your account under the Plan, you gain tax advantages. As an added incentive, the Company also makes contributions on your behalf. If you choose, it is also a convenient method of acquiring ownership of Progress Energy, Inc. common stock.

You have several funds among which you may invest your contributions. These investment options give you the choice of managing your own financial strategy, relying on a professional fund manager or combining the two approaches.

Your vested account balance will generally be distributed at the time you retire or terminate employment, or after your death. While you remain an employee, you may also be able to request loans against your account or make certain withdrawals.

The Plan is both a 401(k) plan and an Employee Stock Ownership Plan (ESOP). An ESOP is a stock bonus plan designed to invest primarily in qualifying employer securities. When you save through a 401(k) plan, you defer the income tax due on your savings, investment earnings and the contributions your company makes to your account until you receive a distribution under the Plan.

The Company intends for the Plan to meet the requirements of Section 404(c) of ERISA and Title 29 of the Code of Federal Regulations Section 2550.404c-1. This means that the Plan is intended to permit you to exercise investment control over the assets in your Plan account. The fiduciaries of the Plan may be relieved from liability for any losses that are the direct and necessary result of investment instructions given by you or your Beneficiary. In other words, while the fiduciaries of the Plan are responsible for choosing what investment options and investment managers are available under the Plan, you are responsible for choosing how to invest your assets among the available options. You must determine the best investment mix given your own situation; the Plan fiduciaries are not responsible for your investment choices.

You are urged to read this booklet carefully. By using the Plan, it is possible—even easy—to focus on your long-term savings needs and invest to create a better financial future for you and your family.

If you are now participating in the Plan, you do not need to take any action unless you wish to change the amount you are contributing to the Plan or the funds in which you are investing. Those of you who are now participating to a limited extent are urged to consider greater participation. If you are not participating in the Plan at all, you are urged to consider taking advantage of this important benefit. Through investing in the Plan, you can create a retirement savings program that is uniquely yours—a mix of investments that works as hard for your future as you do for your money.

Introduction/Definition of Company/Plan History

This booklet describes the highlights of the Plan, which is a defined contribution plan. It also provides additional information concerning the Company. The Company means Florida Progress Corporation or any affiliated company authorized by the Board of Directors of Florida Progress Corporation to participate in the Plan.

The Plan was established on July 1, 1973, at the direction of the Company’s Board of Directors. The Plan was most recently amended and restated effective January 1, 2006. It is designed to assist employees in planning for long-term financial goals by providing an opportunity for saving via payroll deduction. Employees have the opportunity to make before-tax (“401(k)”) or after-tax (“Regular”) contributions to the Plan. Effective January 1, 1988, the Employee Stock Ownership Plan (ESOP) of Florida Progress Corporation was merged into the Plan. A more recent amendment combined the shares in the ESOP Fund with the shares in the Progress Energy Stock Fund to create an active employee stock ownership plan in the new Progress Energy Stock Fund. The chart on [page 6](#) summarizes highlights of the Plan. The Plan is qualified under Section 401(a) of the Internal Revenue Code.

Effective December 31, 2001, the accounts of actively employed participants who were not subject to collective bargaining agreements were transferred to the Progress Energy 401(k) Savings & Stock Ownership Plan. The accounts of employees who were subject to collective bargaining agreements remained in the Savings Plan for Employees of Florida Progress Corporation. In addition, former participants who had not yet received distributions retained their accounts in the Plan.

This SPD is intended to provide a summary of the Plan and explain the investment options offered with the existing funds. The Administrative Committee of the Plan, the official Plan document, and trust agreement govern all terms and conditions of the Plan. Employees may request copies of the Plan document and trust agreement by contacting the Employee Service Center at 1-800-546-5705 or VoiceNet 770-5705.

The Employee Service Center can answer any specific questions about the Plan at 1-800-546-5705 or VoiceNet 770-5705. If you have questions concerning your Plan account in general, you may call Vanguard Participant Services, toll-free, at 1-800-523-1188 any time between 8:30 a.m. and 9:00 p.m. Eastern time, Monday through Friday.

Plan Highlights

	Regular Account	401(k) Account	Catch-Up 401(k) Account	Company Match Account	Rollover Account	Prior Pension Account
Contributions	Member Contributions (After-tax)	Deferred Contributions (Before-tax)	Catch-Up Deferred Contributions (before-tax)	Tax deferred (before-tax)	May be tax deferred	Tax deferred
Eligible for Company Matching Contributions	Yes—see next page for eligibility requirements	Yes—see next page for eligibility requirements	No	N/A	No	No
Investment Options	See Page 13 for investment options available under the Plan; see also the additional Plan prospectus document	See Page 13 for investment options available under the Plan; see also the additional Plan prospectus document	See Page 13 for investment options available under the Plan; see also the additional Plan prospectus document	See Page 13 for investment options available under the Plan; see also the additional Plan prospectus document	See Page 13 for investment options available under the Plan; see also the additional Plan prospectus document	See Page 13 for investment options available under the Plan; see also the additional Plan prospectus document
Fund Earnings	Reinvested*	Reinvested*	Reinvested*	Reinvested*	Reinvested*	Reinvested*
Loans	Yes	Yes	Yes	Yes	Yes	Yes
Withdrawals	Yes	Yes—with financial hardship prior to age 59½.	Yes—with financial hardship prior to age 59½.	Yes—with vesting and 24-month deposit restrictions.	Yes—after exhausting available amounts in Regular and Company Match Accounts.	No – not until retirement or separation from service.
Tax Consequences for Withdrawals	No—contributions made prior to 1987 can be withdrawn without tax consequences. Contributions made after 1986 can be withdrawn only with a proportional share of earnings, which may be subject to early withdrawal penalty and taxes.	Yes—early and/or excess withdrawal penalty taxes may apply.	Yes—early and/or excess withdrawal penalty taxes may apply.	Yes—early and/or excess withdrawal penalty taxes may apply.	Yes—early and/or excess withdrawal penalty taxes may apply.	Yes—early and/or excess withdrawal penalty taxes may apply.

* Participants may elect to either reinvest or receive their dividends as taxable cash from the Progress Energy Stock Fund on a quarterly basis.

The official Plan document governs all terms and conditions of the Savings Plan.

Eligibility

The Board of Directors of Florida Progress Corporation has extended participation in the Savings Plan to bargaining unit employees, including full-time, part-time and temporary employees, of Progress Energy Florida, Inc. Participation in the Plan is voluntary.

If you are a Leased Employee, an independent contractor or consultant to the Company, you will not be permitted to participate in the Plan.

Enrolling in the Plan

You may begin participating in the Plan immediately upon hire. When you enroll, you will be asked to indicate the percentage you want deducted from each paycheck, the investment funds you would like your money invested in, and whom you would like to designate as your beneficiary.

Beneficiary Designation

If single, you may select the beneficiary of your choice. If married, the law requires your spouse to be your beneficiary; however, you may designate another beneficiary, providing that your spouse agrees by signing the spousal consent section of the Designation of Beneficiary form. Please note that your spouse's signature must be witnessed by a notary public. Beneficiary designations may be subject to applicable state law.

You may change or revoke any beneficiary designation by completing a new beneficiary designation on the form provided by the Plan Administrator. The new designation will be effective if the Plan Administrator receives it before your death, and, if you are married, your spouse provides written, notarized consent to any non-spouse beneficiary. Be sure to update your beneficiary designation if your marital status changes.

Your beneficiary designation is automatically revoked if you get divorced and your beneficiary is your former spouse or if you remarry and your beneficiary is someone other than your new spouse.

If for any reason your beneficiary designation is no longer valid and you have not completed a new form, if you have never named a beneficiary, or if your beneficiary does not survive you, your Plan benefits will be paid according to your marital status as shown above. If you are single and have not named a beneficiary, your Plan benefits will be paid to your estate.

When Participation Begins

You are immediately eligible to make *employee* contributions, and to receive *company matching* contributions based on the amount you contribute, on your date of hire by the Company.

Your participation begins on the date that your Regular and/or 401(k) employee contributions are first deducted from your pay. Any employee with a former ESOP account balance who was not already a member in the Plan became a member as of January 1, 1988, the date ESOP was merged into the Plan. Your participation date will be the earlier of your ESOP or Plan participation date.

Rollovers

With the permission of the Plan Administrator, the Plan can accept eligible rollover amounts from another qualified plan. This feature of the Plan is available to active employees immediately upon employment. Requests or questions concerning a rollover should be directed to the Vanguard Group at 1-800-523-1188.

Your Contributions

You may elect to contribute from 1% to 20% (in whole percentage amounts) of your eligible pay to the Plan, while you are **actively employed**. You can make your contributions on a before-tax basis (known as Deferred Contributions) and/or on an after-tax basis (known as Member Contributions), but the aggregate amount of your Deferred Contributions and Member Contributions cannot exceed 20% of your eligible pay. If you are considered a “highly-compensated employee” (see [page 10](#)), your contributions may be limited to a percentage that is less than you requested. See [page 9](#) for a further explanation of other contribution limits that may apply to you. You will be notified if these limits apply to you.

Your eligible pay includes your base pay rate and any lump-sum base pay increases you receive during the calendar year. Bonuses, incentive awards, overtime, double time, and other types of additional pay are not included in eligible pay for purposes of this Plan.

You may change your contribution percentages as often as you wish by logging on to the Vanguard Web site at www.vanguard.com or by calling Vanguard Participant Services at 1-800-523-1188. Your change will become effective at the beginning of the next payroll contribution period.

The Difference Between Deferred and Member Contributions

When you make Deferred Contributions, the money is deducted from your pay *before* income taxes are withheld, which reduces the amount of earnings that are immediately subject to federal income taxes. In addition, the earnings on your Deferred Contributions are tax-deferred. You will pay taxes on this money eventually, but not until you withdraw these contributions and earnings, usually upon termination or retirement.

With Member Contributions, the money is deducted from your pay *after* income taxes are withheld. You will not have to pay taxes again on Member Contributions when you withdraw them from the Savings Plan, but you will have to pay taxes on any earnings on these contributions that have accumulated in your account.

The example on the following page illustrates how saving with Deferred Contributions differs from saving with Member Contributions.

Example

Assume an employee earns \$30,000 a year and saves 6% of eligible pay, or \$1,800.

	Saving With Member Contributions (After-tax)	Saving With Deferred Contributions (Before-tax)
Gross pay	\$30,000	\$30,000
Before-tax Savings Plan contributions	--	-1,800
W-2 taxable pay	\$30,000	\$28,200
Approximate federal income tax	-1,819	-1,549
Social Security tax	-2,295	-2,295
After-tax Savings Plan contributions	-1,800	--
Spendable Income	\$24,086	\$24,356
Approximate yearly increase in spendable income as a result of saving with before-tax dollars		\$270

Note: This illustration is based on 2007 federal tax tables for a married couple and assumes two personal exemptions and the standard deduction. It does not include state tax savings (if applicable). This illustration is meant as an example only. Your tax situation may differ from this illustration. You should review your own personal tax situation with your own tax advisor.

By saving 6% on a before-tax basis, the take-home pay of this employee is \$270 higher. It's important to remember that even though \$30,000 is used in this example, saving with before-tax dollars works to reduce current taxes at all pay levels.

Effect on Social Security Taxes

Your Social Security taxes (FICA and Medicare) will be based on earnings that include your before-tax contributions to the Plan. This means that your future Social Security benefit will not be reduced because of your participation in the Plan.

Investment Earnings

Investment earnings on both before-tax and after-tax contributions are generally not subject to income taxes until they are withdrawn from the plan.

IRS Limits on 401(k) Contributions

If your Deferred Contributions reach the maximum annual 401(k) limit, your 401(k) deduction will automatically be reclassified as a Member Contribution (after-tax), unless you reduce your Deferred Contribution percentage to zero by contacting Vanguard Participant Services. The maximum annual 401(k) limit is \$15,500 for 2008. This amount is indexed for inflation and may be increased in future years. In applying this limit, you must take into account any before-tax contribution amounts that you have made under any other cash or deferred arrangement or 401(k) plan, any tax-sheltered annuity plan or any simplified employee pension plan in which you may participate. If the total of your before-tax contributions under all such arrangements for any calendar year exceeds the IRS limits described above, you must notify the Plan Administrator immediately so that a timely refund can be made to protect you from adverse tax consequences.

If you will be age 50 or older by the end of the calendar year, you may be eligible to make catch-up contributions, as described in the next section.

As noted previously, the amount you may contribute to the Plan in any calendar year is limited to 20% of your eligible pay for that year.

The total of your Deferred Contributions, your Member Contributions and any employer contributions made on your behalf cannot exceed the lesser of (1) \$46,000 (as adjusted annually by the cost of living index) or (2) 100% of your eligible pay. If you are affected by this limitation, you will be notified by the Plan Administrator and you may receive a refund of some of your Deferred Contributions.

Catch-up Contributions

If you will be age 50 or older by December 31 of the current calendar year, you are eligible to make additional Catch-Up Deferral Contributions. This gives you an opportunity to set aside tax-deferred savings above the IRS annual 401(k) limit to help you meet your long-term savings goals. For example, in 2008, the IRS annual 401(k) limit is \$15,500. If you will be age 50 or older by December 31, 2008, you will be eligible to make a Catch-Up Deferral Contribution of \$5,000, for a total before-tax contribution of \$20,500 during 2008. The maximum Catch-Up Deferral Contribution percentage you may contribute is 20% of your eligible pay, subject to the total maximum catch-up amount for the year. Please note that the Company **does not** match catch-up contributions. Catch-Up Deferral Contributions are made on a before-tax basis only. You cannot make after-tax catch-up contributions.

Your Catch-Up Deferral Contributions will be made as scheduled payroll deductions, just like your Deferred Contributions to the Plan, and will be invested in the same funds as your before-tax Deferred Contributions. You may start or stop Catch-Up Deferral Contributions at any time during the year. This election will remain in effect until you change it.

To elect Catch-Up Deferral Contributions, log on to the Vanguard Web site at www.vanguard.com or call Vanguard Participant Services at 1-800-523-1188. You first need to elect to contribute either the maximum before-tax percentage of 20% or the annual 401(k) limit (\$15,500 for 2008). Then, calculate the percentage of pay you need to contribute to reach the catch-up contribution maximum for the current year (\$5,000 in 2008 divided by your annual base pay rate). The maximum catch-up percentage you may contribute is 20%.

Limits for Highly Compensated Employees

The Internal Revenue Code has rules governing contribution rates to savings plans to ensure that one group of employees (e.g., those considered “highly compensated”) does not receive a disproportionately greater benefit from the Plan on an annual basis than those employees who are not “highly compensated”. As a result, some employees may not be able to save up to the full amount they request in either before-tax or after-tax dollars. Contribution amounts may be lowered or, if necessary, contributions already made will be returned. (If it is necessary to return any before-tax contributions or earnings on either before-tax or after-tax contributions, they will be taxed as ordinary income.) You will be notified if these rules affect your contributions.

In general, any employee who has W-2* earnings greater than **\$100,000 in 2007** is classified as a highly-compensated employee for the 2008 plan year. This amount is indexed for inflation and is subject to periodic increases.

**Includes base pay, overtime, double time, incentive pay, awards, and shift differential but excludes relocation expenses or allowances.*

Company Matching Contributions

Upon meeting the eligibility requirements outlined on [page 7](#), if you make Member and/or Deferred Contributions to the Plan, you will be eligible to receive Regular Company Contributions. For every dollar you save up to 6% of eligible pay each pay period, the company contributes 75 cents to your Plan account. For example, if you contribute \$120 each payroll contribution period to the Plan at a 6% level, the Company will contribute an additional \$90 to your account each payroll contribution period. Regular Company Contributions are invested in the same investment funds as your Deferred and Member Contributions.

Subject to limitations imposed by the tax code, the Company’s contributions to the Plan are deductible in the year for which they were made. The amount of such deduction will generally be equal to the amount contributed to the Plan.

Suspension of Contributions

You may stop your payroll deductions at any time by logging on to www.vanguard.com, or calling Vanguard Participant Services at 1-800-523-1188, and reducing your contribution percentages (both Deferred and Member) to zero. Your contributions will stop effective with the next payroll contribution period after the information is received by Vanguard.

If you suspend your contributions to the Plan, you still have the ability to request exchanges among the investment funds, as well as request new loans or withdrawals within Plan guidelines at any time. The value of your investment funds will also still fluctuate with fund performance.

You may restart your payroll deductions at any time by logging on to www.vanguard.com or calling Vanguard Participant Services at 1-800-523-1188 and requesting a contribution percentage change to the level you desire. Your contributions will begin effective with the next payroll contribution period after the information is received by Vanguard.

Investing in the Plan

Currently, the Plan offers several different general types of investment funds: company stock; aggressive growth stocks; international stocks; growth stocks; large-cap growth stocks; growth and income stocks; growth and income stocks and bonds; bonds; stable value/fixed income (Retirement Savings Trust); and three balanced funds—balanced growth, balanced moderate growth and balanced conservative growth. Your contributions and the related company match may be invested in any or all of these funds.

If you don't make investment elections for your contributions and the related company match, they will be invested in the fund designated by the Administrative Committee as the Saving Plan's default investment fund until you elect otherwise. Currently, the Plan uses a broad target-date fund as the Savings Plan's default investment option. Please contact the Administrative Committee if you have questions regarding the Plan's default investment fund.

The mutual funds listed below are offered by prospectus only. For more complete information on advisory fees, distribution charges, or other expenses, please read the prospectus of each fund before investing.

Vanguard also produces detailed fund fact sheets each quarter for the investment funds offered as investment options under the Plan. The fact sheets outline each fund's investment objective, investment strategy, investment returns (fund performance), risk factors, portfolio profile, and top ten holdings (if applicable). The updated fact sheets are generally available approximately four to six weeks after the end of each quarter.

You may request a fund prospectus or fund fact sheets by logging on to www.vanguard.com or by speaking with a Vanguard Participant Services Associate, toll-free, at 1-800-523-1188. Associates are available Monday through Friday, between 8:30 a.m. and 9:00 p.m., Eastern time.

As noted on the cover page, this SPD constitutes part of a prospectus covering Progress Energy securities that have been registered under the Securities Act of 1933. We will provide you with a separate document that constitutes an additional part of the Plan prospectus, which document contains one-year rates of return for each of the past three fiscal years for each of investment funds offered as investment options under the Plan.

Important Note About Investment Decisions

The company intends for the Plan to meet the requirements of Section 404(c) of the Employee Retirement Income Security Act (ERISA). This means that the Savings Plan lets you direct the investment of your account balance in a manner that complies with rules outlined by ERISA that relieve the Plan's fiduciaries of liability for any losses that result from investment instructions given by you or your beneficiaries. Because you supervise and direct how your account is invested, fiduciaries of the Plan may be relieved of liability for losses, if any, that occur as a direct result of your investment instructions. In other words, while the fiduciaries of the Savings Plan are responsible for choosing what investment options and investment managers are available under the Savings Plan, you are responsible for choosing how to invest your assets among the available options. You must determine the best investment mix given your own situation; the Savings Plan fiduciaries are not responsible for your investment choices.

As you make your investment elections, please note that investments in the Plan involve investment risks, including the loss of principal. Note that the company may add or delete funds or other investment alternatives at any time. Please also keep in mind that most investment advisors recommend that you diversify your investments among several investment options and that monitor and rebalance your investments each year. Please consider consulting with your own financial advisor regarding your investments under the Savings Plan.

Investment Options

Below is a list of the investment funds offered as investment options under the Plan. As noted on the cover page, this SPD constitutes part of a prospectus covering Progress Energy securities that have been registered under the Securities Act of 1933. We will provide you with a separate document that constitutes an additional part of the Plan prospectus; this document contains a brief description of the investment funds offered as investment options under the Plan, as well as one-year rates of return for each of the past three fiscal years for each of investment funds offered as investment options under the Plan.

- Progress Energy Stock Fund (PGN)
- Aggressive Growth Stock Fund (GGOIX)
- International Stock Fund (VWIGX)
- Growth Stock Fund (VEXMX)
- Large-cap Growth Stock Fund (RGAFX)
- Growth and Income Stock Fund (VFINX)
- Growth and Income Stocks and Bond Fund (DODGX)
- Bond Fund (VBMFX)
- Stable Value/Fixed Income Fund (Retirement Savings Trust)
- Vanguard Target Retirement Funds (11)
- CVO Fund

Investment Risk

None of the funds offered by the Plan are guaranteed against investment loss, including the Retirement Savings Trust. The market value of any of these funds can go down as well as up. However, it should be noted that the investment structure of the Retirement Savings Trust minimizes the risk of your losing any part of the contributions you have made to that fund.

Expenses

Progress Energy pays all administrative costs of the Plan, such as the costs of administering loans, withdrawals and record keeping. You pay the management fees associated with each investment option you choose. For a summary of those fees, log on to www.401k.com. The prospectus for each fund describes management fees for the fund.

Investment Fund and Performance and Management Fees

Individual returns may differ due to the level and timing of activity in your account. Before investing you should refer to the fund prospectus or contact the Employee Service Center for complete information regarding management fees, expenses and other special risks and investment considerations. In addition, as noted above, we will provide you with a separate document that constitutes an additional part of the Plan prospectus, which document contains one-year rates of return for each of the past three fiscal years for each of the investment funds offered as investment options under the Plan.

Keep in mind that each investment option does carry a degree of risk, including risk of loss of principal. Remember, too, that past performance of any fund does not guarantee future results. The company cannot assure you of a profit or protect you against a loss on the securities credited to your account under the Plan. In addition, you should be aware that your benefits under the Plan are not guaranteed.

Average Annual Returns

You may obtain fund performance information, fund fact sheets, or a fund prospectus for any fund at www.vanguard.com or by speaking with a Vanguard Participant Services Associate at 1-800-523-1188. Associates are available Monday through Friday, between 8:30 a.m. to 9:00 p.m., Eastern Time. In addition, we will provide you with a separate document that constitutes an additional part of the Plan prospectus, which contains a brief description of the investment funds offered as investment options under the Plan, as well as one-year rates of return for each of the past three fiscal years for each of investment funds offered as investment options under the Plan.

Exchanging/Transferring Current Account Balances

You may exchange (that is, transfer) money that you have already invested in the Plan among the investment funds. This type of transaction affects only dollars that have already been deposited in your accounts, and does not affect the way any future contributions will be invested (see *Changing the Investment of Future Contributions* below). You may request an exchange at any time by accessing the Vanguard Web site at www.vanguard.com or by calling Vanguard Participant Services at 1-800-523-1188. Exchanges must be requested in either whole dollars or as 1% increments.

Although the Company makes every effort to maintain the exchange privilege, Vanguard reserves the right to revise or terminate this privilege, limit the amount of the exchanges, or reject any exchange at any time, without notice. Because excessive exchanges can potentially disrupt the management of the funds and increase transaction costs, Vanguard limits the number of exchanges to no more than four “round trips” (at least 90 days apart) through funds other than the Retirement Savings Trust, the Progress Energy Stock Fund, and non-Vanguard funds during any 12-month period. A “round trip” means transferring your money out of a fund and then back into that same fund.

Changing the Investment of Future Contributions

You may change the direction of your future payroll deductions; this is known as an investment allocation change. This change affects only the direction of future contributions and not money that is already in your account (see *Exchanging/Transferring Current Account Balances* above). Your investment allocations among the available investment funds must be made in whole percentages. You may make this change at any time by accessing the Vanguard Web site at www.vanguard.com or by calling Vanguard Participant Services at 1-800-523-1188. Your change will be effective with the next payroll contribution period after the information is received by Vanguard.

Investment of Company Matching Contributions

Your Company Matching Contributions will be invested in the same investment allocation percentages that you have selected for your contributions.

Investment of Interest and Dividends

Your interest and dividends will be automatically reinvested in their respective funds. For the Progress Energy Stock Fund only, you have the option to either receive your dividends in cash or reinvest them in additional shares of Progress Energy common stock.

Each quarter, you have until three business days before the ex-dividend date to contact Vanguard Participant Services (through the Vanguard Web site or by telephone) and elect to either receive your dividend in cash or to reinvest your dividend. Remember, whatever election you make will remain in place for future dividends, until you make a different election. If you do not make an election, your dividends will automatically be reinvested in the Progress Energy Stock Fund.

You are 100% vested in any dividends you receive on your shares of Progress Energy common stock, even if you are not 100% vested in your Company Match Account.

Diversification

The Tax Reform Act of 1986 requires plans with an ESOP feature to offer participants who have reached age 55 with ten years of Plan participation the ability to diversify their investment in company stock. These rules provide participants who are approaching retirement the option of exchanging or withdrawing a portion of their company stock and reinvesting it in an alternative investment vehicle within the Plan or outside of the Plan, if they believe it is necessary to meet the goals of their personal investment plan.

Since the Plan offers the ability to withdraw or exchange out of the Progress Energy Stock Fund on a daily basis, these diversification requirements are satisfied. There are tax consequences associated with in-service withdrawals, which are explained in *Tax Effects of Plan Participation* on [page 27](#).

Types of Accounts

Within each participant's Plan account, Vanguard maintains six account types. Each account type is based on the source of contributions it contains. The amount you have in each account type or source is shown on your quarterly account statement in a section called *Summary of Contributions*. Each account type or source is described below:

Catch-up 401(k) Account contains any Catch-Up Deferral Contributions, if eligible, plus related investment gains or losses.

Company Match Account contains Company Matching Contributions made on your behalf, based on the matchable portion of your Member and Deferred Contributions and company contributions to the former ESOP, plus related investment gains or losses.

Employee Regular Account contains your Member Contributions to the Plan or the former ESOP, plus related investment gains or losses.

Employee 401(k) Account contains your employee Deferred Contributions, plus related investment gains or losses.

Prior Pension Account contains any amounts you elected to transfer from the pension plan formerly known as the Employees' Retirement Plan of Florida Power Corporation.

Rollover Account contains any amount you rolled into the Plan from a prior employer's qualified retirement, plan plus related investment gains or losses.

Valuation of Accounts

An individual account in your name has been set up with our recordkeeper, The Vanguard Group, Inc. Your contribution accounts, as described above, are invested in the funds offered by the Plan according to your instructions.

The value of the Plan's funds is expressed in dollars and shares. In a daily valuation environment, funds are sold to you in units called shares. When you buy shares in a particular fund, you purchase them at the **Net Asset Value** of the fund on the purchase date. Net Asset Value (NAV) is determined by dividing the total market value of the fund, less any liabilities, by the number of outstanding shares of the fund. NAV per share is determined as of the regular close of the New York Stock Exchange (generally 4:00 p.m., Eastern Time), each day the exchange is open for trading. See each fund's individual prospectus for more information. Each share that you buy represents partial ownership in all of the securities in the fund. As these shares are influenced by changes in the underlying investments, the value of your fund shares will move up and down, as represented by changes in the NAV per share. Most daily newspapers and financial Web sites publish mutual fund share prices or Net Asset Values (NAVs) alphabetically by fund family.

Over time, the value of your investment in a particular fund may be affected by the following:

Principal Change—An increase or decrease in the market value of your shares. (For example, you may purchase a mutual fund share today at a NAV of \$10; this time next year, its NAV may be \$11 or \$9.)

Interest and/or Dividends—Payments to investors of interest and dividends earned on the fund's portfolio of securities. When declared, dividends are automatically reinvested in the fund (except for the Progress Energy Stock Fund, see HRI-PGNF-00014), increasing the number of shares you own. For example, although dividends are never guaranteed, a mutual fund may seek to provide a regular quarterly dividend.

Capital Gain/Loss Distributions—Payments to investors from profits or losses on the sale of securities in the fund's portfolio. Again, these distributions are not guaranteed; a fund that paid a capital gain or loss distribution last year may not pay a distribution at all this year. When declared, capital gain or loss distributions are automatically reinvested in the fund, increasing the number of shares you own.

Keeping Track of Your Account

There are several ways to monitor your Plan account and investment program.

By mail—approximately 20 days after the end of each quarter, an account statement will be mailed to your home address. It provides a summary of your account activity for the past calendar quarter in an easy-to-follow format, including your account value at the end of the quarter.

On the Web—You may log on to www.vanguard.com; then from the *Personal Investors* section select *Go to the site*. The first time you log on, you'll be asked to create a confidential user name and password. You will then enter this information under the *Account logon* section on the right side of the screen.

By Telephone—You may call Vanguard Participant Services at 1-800-523-1188. All you need is your Social Security number, your personal identification number (PIN), and a touch-tone telephone. The automated VOICE network is available 24 hours a day, 7 days a week, from anywhere in the United States. If you call during business hours (Monday through Friday, from 8:30 a.m. to 9:00 p.m. Eastern time), you can connect with a Participant Services Associate to ask questions or discuss the risks and rewards of the Plan's investment funds.

Online or by Phone ...

Whether you log on through www.vanguard.com or use the automated VOICE network, you may:

- Review current contributions and investments, and the performance of investment funds.
- Obtain your current account balance (as of the close of the previous business day).
- Process an exchange (transfer) of existing account balances from one investment fund to another.
- Set up or change your contribution allocation.
- Elect catch-up contributions.
- Change the way future contributions are invested.
- Process changes in your dividend election (receive in cash or reinvest) from the Progress Energy Stock Fund.
- Obtain or model loans (part-time and temporary employees must call Vanguard Participant Services to request a loan).
- Obtain regular, non-hardship withdrawals and cash dividend withdrawals (by calling Vanguard Participant Services only). Hardship withdrawals must be requested through the Employee Service Center at 1-800-546-5705 or VoiceNet 770-5705. Please refer to [page 22](#) for more information on withdrawals.
- Confirm your last account transaction.
- Request a fund sheet or fund prospectus.
- Obtain closing prices and yields for the investment funds in the Plan.
- Request final distributions.

You may elect to stop receiving quarterly statements by mail and view your current and past two statements by logging on to www.vanguard.com.

While Vanguard Associates can't give you financial advice or make decisions for you, they can answer your questions and provide you with information that will help you develop an investment strategy that is right for you.

Loans

Although the Plan is designed to encourage a long-term investment program designed for your retirement, you may borrow money from your account and pay yourself back with interest through a Plan loan. You are eligible to apply for a loan if you are **actively** employed (regular, full-time, temporary, or part-time) with an available account balance and have fewer than **four loans** currently outstanding. Loans may also be available on a reasonably equivalent basis to any Beneficiary or former employee who maintains an account balance under the Plan and is a party-in-interest.

By taking a loan instead of a withdrawal, you may access a portion of your Plan account balance **without creating a taxable event**. Your loan repayments will return the borrowed money to your account with interest. A Plan loan will preserve your tax advantages at retirement, while providing you with access to your account balance when you need it.

Loan Amount and Loan Types

Based on current IRS and Plan rules, the minimum amount you may borrow is \$500, and the maximum amount is the lesser of 50% of your vested account balance or \$50,000 reduced by your highest outstanding loan balance during the prior 12 months.

The Plan provides two types of available loans: A **regular loan** is taken from your Employee Regular Account, your vested Company Match Account that has been invested in the Plan for at least 24 months, your Rollover Account, and your Prior Pension Account. A **401(k) loan** is taken exclusively from your Employee 401(k) Account.

You may have up to **four** outstanding loans (any combination of 401(k) and Regular loans) at any one time.

Requesting a Loan

Full-time Employees

To apply for a loan, log on to www.vanguard.com or call Vanguard Participant Services, toll-free, at 1-800-523-1188. If you call, you may use either the automated network, which is available 24 hours a day, 7 days a week, or speak with a Participant Services Associate between 8:30 a.m. and 9:00 p.m. Eastern time, Monday through Friday.

You may request your loan to be taken either:

- 1) proportionately across all your fund balances. You may use www.vanguard.com, the automated VOICE Network or speak with a Vanguard Participant Services Associate to request a **proportionate** loan, OR
- 2) directly from a specific fund or funds. However, you must speak directly with a Participant Services Associate to request a **directed** loan.

If your loan is approved and you are a regular, full-time employee, a check for your loan amount will be mailed to your home address within three business days of your request.

The minimum term for any new loan is six months. The maximum term is five years or 60 months. Whether you log on to www.vanguard.com, use the Vanguard automated VOICE Network, or speak with a Participant Services Associate, you may take advantage of **loan modeling**. This is a powerful tool that helps you determine your loan repayment amount, based on the amount you borrow and the loan repayment term you select.

Part-time and Temporary Employees

If you are a temporary/part-time/other employee, you must complete loan forms. A check for the loan amount will be mailed to your home address within five to seven business days **after** Vanguard receives your completed paperwork.

To apply for a loan, call Vanguard Participant Services, toll-free, at 1-800-523-1188 and speak with a Participant Services Associate between 8:30 a.m. and 9:00 p.m. Eastern time, Monday through Friday. The automated VOICE Network is not available to temporary/part-time/other employees for purposes of requesting a loan.

Loan Interest Rate

The loan interest rate is determined on a **quarterly** basis. The five-year Florida Savings Certificate of Deposit rate, as published on banxquote.com on the Wednesday **before the 21st day of each quarter-end month (March, June, September and December)**, is its primary factor. If the interest rate changes, the new loan interest rate will become effective on the first day of the new quarter, and will remain in effect for all new loans granted through the end of the quarter.

Once your loan has been processed, the interest rate will remain the same for the term of the loan.

Repaying Your Loan

Loan repayments are handled differently, based on your employment status:

1. For regular, full-time employees, loan repayments will be made via payroll deduction every pay period.
2. For temporary/part-time/other employees, your loan repayments are made via the Automated Clearing House System (ACH, described below) twice each month.

Loan repayments are transferred back to your active investment funds, based on your current investment allocation percentages. All loan repayments will continue until your loan is paid off in full.

Your outstanding principal loan amount is reflected within the Loan Fund. When you request a new loan, the new loan amount is transferred out of the investment funds from which you requested the loan into the Loan Fund. As you make your loan repayments, your Loan Fund balance will be reduced by the repayment amount and the dollars will be returned to your active investment funds, based on your current investment allocation percentages.

If you have an outstanding loan balance, the Loan Fund will appear on your quarterly account statement. Your statement will show the transfer of any new loans you requested during the quarter into the Loan Fund and the return of your loan repayments (both principal and interest) out of the Loan Fund into your active investment funds. Your statement will also show your Loan Fund closing principal balance, so you know your outstanding loan balance at the end of each quarter. This information may also be obtained at any time by contacting Vanguard Participant Services.

Repayment through ACH

ACH provides the Plan with a loan repayment method for employees who are not working on a full-time basis. If you are a temporary, part-time, or other employee, a loan application package will be mailed to you when you request a new loan from your Plan account. This package will include an ACH instructions form. This ACH form is your authorization to allow Vanguard to automatically debit a personal bank account of your choice for your loan repayment amount twice each month. Vanguard will continue to take loan repayments from this account until your loan is paid off in full. Upon returning the completed ACH form to Vanguard, your new loan check will be mailed to your home address within five to seven business days.

Partial and Full Prepayments

You may make a partial or full loan prepayment by calling Vanguard Participant Services, toll-free, at 1-800-523-1188. If you make a partial prepayment on a loan, regularly scheduled loan repayments will continue until the loan balance reaches zero. If you pay a loan off in full, Vanguard will stop requesting loan repayments via either payroll deduction for regular, full-time employees or ACH for part-time/temporary/other employees.

A cashier's check or money order made payable to "Vanguard Fiduciary Trust Company" is required. Personal checks for loan prepayments will not be accepted. Please include your Social Security number and loan number, and indicate whether the check is a partial or full repayment of the loan. Forward the check and the above-mentioned information to Vanguard in the following manner:

U.S. Mail: The Vanguard Group
 Attn: Plan #091193
 P.O. Box 1101
 Valley Forge, PA 19482-1101

Overnight Carrier: The Vanguard Group
 Attn: Plan #091193
 100 Vanguard Boulevard
 Malvern, PA 19355

Loan Processing Fees

Each new loan you request will be charged a one-time origination fee of \$25, which is deducted from the loan proceeds. A Florida state documentary stamp fee, which is currently \$0.35 for every \$100 borrowed, will also be deducted from the loan proceeds. In addition, each loan will be assessed a \$10 annual maintenance fee, charged once per calendar year, for each outstanding loan.

Taxation of Loans

Interest on consumer loans (including loans from our Plan) is not deductible for income tax purposes.

If You Take a Leave of Absence

If you are a regular, full-time employee, you are responsible for making **manual** repayments directly to Vanguard during the time of your leave. Vanguard will only accept a cashier's check or money order. Please make the cashier's check or money order payable to "Vanguard Fiduciary Trust Company," indicating it is a loan repayment, and include your Social Security number and loan number(s). Mail to The Vanguard Group, Attn: Plan #091193, P.O. Box 1101, Valley Forge, PA 19482-1101.

If you are a part-time, temporary, or other employee, your loan repayments will continue during your leave via ACH until the loan is paid off in full.

Notwithstanding the foregoing, if you are a member of the uniformed services of the United States and retain reemployment rights under the law, loan repayments shall be suspended during the period of leave.

If You Terminate Employment, Retire or Die

Any outstanding loan you currently have is due immediately and must be paid in full upon termination of employment, retirement, or death. If you have an outstanding loan(s) and do not pay the balance(s) by the end of the calendar quarter following the calendar quarter in which you leave, the Plan will consider your loan(s) in default and automatically deduct the outstanding loan principal amount(s) from your vested account balance. If you default on a loan or loans, you will be subject to the same federal income tax and early distribution penalties that may apply to other distributions from your Plan. Because you have already received the proceeds of any outstanding loan, you cannot initiate a direct rollover of an outstanding loan balance, unless you pay off the loan first.

If you wish to pay off your outstanding loan(s), contact Vanguard Participant Services, toll-free, at 1-800-523-1188.

Loan Policy

Pursuant to Department of Labor regulations, a written loan policy, which details the scope and procedures of the loan program within our Plan, is available for your review. You may review the policy in person or request a copy by calling the Employee Service Center at 1-800-546-5705 or VoiceNet 770-5705.

Types of Withdrawals

The main purpose of the Plan is to help employees provide a meaningful supplement to their retirement income. If necessary, the Savings Plan may be used to help you meet short-term financial needs. However, there are potential tax consequences.

The Plan currently offers four types of withdrawals while you are actively employed (“in-service” withdrawals):

- Regular withdrawals
- Non-hardship withdrawals
- Hardship withdrawals
- Cash dividend withdrawals

Regular Withdrawals

A regular withdrawal takes money exclusively from your Employee Regular Account balance.

You may also request a regular withdrawal of your Progress Energy Stock Fund in either cash or whole shares of Progress Energy common stock.

If you have made any Member contributions **before** 1987 (Grandfathered Money) and have not yet withdrawn this amount, your regular withdrawal can be taken up to this amount, without any tax implications.

If your regular withdrawal request is for an amount greater than your Grandfathered Money, the Internal Revenue Service requires that your withdrawal also include a proportionate amount of all taxable earnings on your Employee Regular Account.

The taxable portion of your cash withdrawal will be subject to federal income taxes and, if you are under age 59½, a 10% early withdrawal penalty tax. There is also a 20% IRS advance withholding requirement for withdrawals made in cash. To avoid these taxes and withholding requirements, you may elect to roll the taxable portion of your withdrawal directly to an Individual Retirement Account (IRA). Your actual taxes due will depend on your total taxable income for the year in which you receive a regular withdrawal. You may also be permitted to roll over any non-taxable (after-tax) portion of your distribution.

Non-Hardship Withdrawals

A non-hardship withdrawal takes money from the following accounts, in this order:

- Company Match Account*
- Rollover Account
- Employee 401(k) Account (only if you are over age 59½)
- Catch-Up 401(k) Account (only if you are over age 59½)

* *Company Matching Contributions become available only after they have been on deposit for 24 months.*

You may also request a non-hardship withdrawal of your company stock fund in either cash or whole shares of Progress Energy common stock.

Upon reaching age 59½, your non-hardship withdrawal amount will include your Employee 401(k) Account and Catch-Up 401(k) Account. Up until age 59½, you must meet the financial hardship requirements outlined below to make a withdrawal from your Employee 401(k) Account and Catch-Up 401(k) Account.

The taxable portion of your cash withdrawal will be subject to federal income taxes and, if you are under age 59½, a 10% early withdrawal penalty tax. There is also a 20% IRS advance withholding requirement for withdrawals made in cash. To avoid these taxes and withholding requirements, you may elect to roll the taxable portion of your withdrawal to an Individual Retirement Account (IRA). Your actual taxes due will depend on your total taxable income for the year in which you receive a non-hardship withdrawal. You may also roll over any non-taxable (after-tax) portion of your distribution.

Tax Implications of Withdrawals from Progress Energy Stock Fund

When you request a regular or non-hardship withdrawal of your Progress Energy Stock Fund (Regular and Employee 401(k) Accounts) in whole shares (i.e., in-kind), you will receive shares of Progress Energy common stock. You are subject to ordinary income taxes on the net taxable amount of the in-kind withdrawal. The net taxable amount is the market value of the withdrawal, less any employee after-tax contributions and unrealized appreciation associated with the withdrawal. You will be subject to a 10% early withdrawal penalty on the net taxable amount if you are under age 59½; however, since the withdrawal is requested in whole shares rather than cash, there is no 20% withholding requirement. If you choose to do so, you may elect to roll the taxable portion of your in-kind withdrawal to an IRA account.

Hardship Withdrawals

Prior to age 59½, you must meet the Internal Revenue Service definition of “financial hardship” in order to qualify for a withdrawal from your Employee 401(k) Account or Catch-Up 401(k) Account.

To qualify under current IRS rules, you must have a serious financial need that cannot be met through any other means (including a Plan loan, regular, or non-hardship withdrawal). A hardship withdrawal can be requested for one or more of the following reasons only:

- Your severe, unreimbursed or uninsured medical expenses due to illness or injury;
- Your purchase of your primary residence;
- To prevent foreclosure or eviction from your primary residence;
- Tuition for post-secondary education expenses for up to 12 months for you, your spouse, children or dependents;
- Certain expenses for the repair of damage to your primary residence; and/or
- Payments necessary for funeral or burial expenses for a deceased parent, spouse, child or dependent as defined by the Internal Revenue Code.

If you qualify and take a hardship withdrawal, you must suspend contributions, that is, wait **six months** before you may make Member, Deferred, or Catch-Up Deferral Contributions to the Plan again. In addition, during those six months, no Company Matching Contributions will be made on your behalf to the Plan. You can request only one (1) hardship withdrawal in a plan (calendar) year.

In addition to the above hardship events for you, your spouse or your dependents, you may be able to request a hardship distribution to pay for medical, educational and funeral expenses for your beneficiary under the Plan.

Your hardship withdrawal will be subject to federal income taxes and, since you are under age 59½, a 10% early withdrawal penalty tax. There is also a 20% IRS advance withholding requirement for withdrawals made in cash. Your actual taxes due will depend on your total taxable income for the year in which you receive the hardship withdrawal. In the case of a hardship withdrawal, you may elect *not* to have the 20% withheld when the distribution is made. However, you will still owe that tax on the total distribution when you file your tax return for the year in which you receive the hardship withdrawal.

Please contact the Plan Administrator for more details.

Cash Dividend Withdrawals

As outlined previously, for each calendar quarter that the company declares a cash dividend on its stock, participants with Progress Energy Stock Fund account balances may elect to receive their dividend in cash. You are 100% vested in any dividends you receive on your shares of Progress Energy Common Stock, even if you are not 100% vested in your Company Match Account.

You have up until three business days before the ex-dividend date each quarter to make your election to either reinvest your dividend or receive it in cash. Whatever election you make will remain in place for future Progress Energy Stock Fund dividends until you make a new election.

Cash dividends paid directly to you are considered ordinary income in the year you receive them and will be subject to federal income taxes. However, unlike a regular, non-hardship or hardship withdrawal, you **will not** be subject to either the 10% early withdrawal penalty or the 20% advance withholding requirements for a cash dividend withdrawal.

Applying for a Withdrawal

As an active employee, you may inquire and/or request a regular, non-hardship, or cash dividend withdrawal any time by logging on to www.vanguard.com or calling Vanguard Participant Services, toll-free, at 1-800-523-1188. (Hardship withdrawals must be requested through the Employee Service Center at 1-800-546-5705 or VoiceNet 770-5705.) If you call, you may use either the automated network, which is available 24 hours a day, 7 days a week, or speak with a Participant Services Associate between 8:30 a.m. and 9:00 p.m. Eastern time, Monday through Friday. You will need your PIN in order to request a withdrawal. Vanguard Participant Services Associates are trained to discuss your withdrawal options with you and can help you determine the tax consequences associated with any withdrawal you may request.

For a regular, non-hardship or hardship withdrawal, Vanguard will normally mail your withdrawal check to your home address within three business days after your withdrawal is authorized. Your cash dividend check will be mailed to your home address approximately two to four business days after the dividend payment date each quarter. Your Progress Energy common stock certificate will be mailed to your home address in approximately four to six weeks. If you elect to have the taxable portion of your in-kind certificates and/or cash withdrawal directly transferred to an IRA, the stock certificate processing will normally take five to seven business days, while the cash portion will normally process in two to three days.

You may elect to have a withdrawal taken proportionately from each investment fund in which you have a balance by using the automated VOICE Network, or you may elect the withdrawal from a specific fund or funds by speaking with a Vanguard Participant Services Associate.

You become eligible for a final distribution on the date you attain age 65, die, become disabled, or terminate employment. Upon receiving information about your change in status, our recordkeeper, The Vanguard Group, Inc., will mail you a final distribution package, which will outline your final distribution choices. You may then log on to the Vanguard Web site at www.vanguard.com or call Vanguard Participant Services at 1-800-523-1188 to provide distribution instructions. If you call, you may use either the automated network, which is available 24 hours a day, 7 days a week, or speak with a Participant Services Associate between 8:30 a.m. and 9:00 p.m. Eastern time, Monday through Friday. You need your PIN in order to request a withdrawal. Vanguard Participant Services Associates are trained to discuss your withdrawal options with you and can help you determine the tax consequences associated with any withdrawal you may request. Final distributions from the Plan are processed on a daily basis by Vanguard.

Vesting

You are always vested in (entitled to) 100% of your account balances in all accounts except for your Company Match Account. You will also be 100% vested in your Company Match Account if you meet the vesting requirements below, reach your Normal Retirement Age (the later of age 65 or five years of Plan participation), meet the conditions for Retirement (as defined in the Retirement Plan for Bargaining Unit Employees of Florida Progress Corporation), die, or become disabled.

If you leave the company for any reason other than retirement, death, or disability, your final distribution will be processed as follows:

You will receive 100% of your account balance in your Regular, Employee 401(k), Catch-Up 401(k), Rollover, and Prior Pension Accounts.

If you have completed two or more years of continuous service, you have vested rights in your Company Match Account. You receive credit for one year of continuous service for each calendar year you have worked at least 1,000 hours.

Based on your vested rights, you are entitled to receive the following percentages of your Company Match Account:

If Your Completed Years of Continuous Service Are	You Receive This Percentage of Your Company Match Account
less than 2	0%
2 but less than 3	25%
3 but less than 4	50%
4 but less than 5	75%
5 or more	100%

Nonvested portions of your Company Match Account are forfeited when you terminate employment. These forfeitures may be restored if you are rehired by the company within five years of your termination date. Forfeitures that are not restored for rehired participants are used to reduce the administrative expenses of the Plan or offset company contributions.

You are also 100% vested in any dividends you receive on your shares of Progress Energy Common Stock, even if you are not 100% vested in your Company Match Account.

How Your Account Is Paid

If the **total vested value** of your Plan account is **\$1,000 or less** and you have not elected to receive or to rollover the distribution to another tax-qualified plan, you will generally receive a lump sum distribution from the Plan shortly after you terminate employment. If you are a temporary employee, however, you may leave your account balance in the Plan for up to 12 months following your termination of employment (if you are not re-employed).

If the total vested value of your Plan account **exceeds \$1,000**, you may:

1. Choose to receive your final distribution from **all** of your Savings Plan accounts when you retire, die, become disabled, or terminate **or at any time you choose** until you reach age 70½, by submitting the appropriate forms to The Vanguard Group, Inc., or
2. Maintain your investment accounts in the Plan until you reach age 70½, at which time the funds will generally be distributed to you.

If you are a 5% owner of the company or any subsidiary, you must receive your funds by April 1 following the calendar year in which you attain age 70½. If you are not a 5% owner, you must generally begin receiving your funds by the April 1 following the calendar year in which you attain age 70½ or terminate employer, whichever is later.

If you die and your spouse is your beneficiary, he or she may elect to receive a final distribution of your account balance at any time up until the date you would have reached age 70½. A non-spousal beneficiary has one year from the date of death to initiate installment payments or may defer receiving a final distribution for up to a maximum of five years from the date of your death. On the fifth anniversary of your death, any remaining account balance will be distributed.

Effective January 1, 2008, a non-spouse beneficiary may elect a rollover of their account balance to an Inherited Individual Retirement Account (IRA). Anyone in this situation should contact a tax professional for details before making this election.

Payment Options

The Plan offers several payment options for participants eligible for a final distribution:

- Payment of all fund balances in cash or as a rollover to another tax-qualified plan or IRA.
- Payment of the Progress Energy Stock Fund in-kind (i.e., in whole shares) and the remaining fund balances in cash.
- Payment of a participant-directed number of shares from the Progress Energy Stock Fund in-kind and the remaining fund balances in cash.
- A menu of installment payment options including fixed dollar, fixed percentage, or declining balance installment requests. (Payment of Progress Energy Stock Fund balances may be made in cash or as annual share installments.)

The details of each of these payment options are described in the materials contained in the final distribution package provided by The Vanguard Group, Inc. Upon receipt of your final distribution instructions, Vanguard will process your final distribution at the next available valuation date.

If You Die Before Your Benefit Is Paid

If you die before receiving your vested Plan benefit, it will be paid to your beneficiary or to your estate. If you die and your account balance is \$5,000 or less and you are not currently being paid your Plan benefit in the form of installment payments, your lump sum will be paid in a lump sum to your beneficiary or estate as soon as practicable. If you die while installment payments are being made, such installments will continue to your beneficiary.

In general, persons with Progress Energy Stock Fund accounts who have their accounts distributed in whole shares of Progress Energy common stock may freely resell those shares to the public from time to time at prevailing prices. However, so-called affiliates (certain senior officers) normally may resell their shares to the public, in general, only if all applicable conditions of Rule 144 under the Securities Act of 1933 are met as to the resale, or some other exemption from registration under the Act is available.

Timing of Final Distribution

Once your date of retirement, disability, or termination is provided to our recordkeeper, The Vanguard Group, Inc., a final distribution package will be mailed to your home address. A distribution will be processed as soon as Vanguard receives the final distribution instructions. If your vested account balance is \$1,000 or less, you will have 30 days to instruct Vanguard of your election, or your vested account balance will automatically be paid to you in cash, less the required 20% federal withholding. If your vested account balance is over \$1,000 your account will automatically be deferred until age 70½ unless you elect otherwise. Under federal law, distributions from your account must generally begin no later than the April 1 following the calendar year you reach age 70½ or terminate employment, whichever is later.

Tax Effects of Plan Participation

The following statements are intended to outline certain tax consequences of participation in the Plan. Because the applicable provisions of the Code are quite technical and subject to amendment and differing interpretations, and because their application may vary in individual cases, these statements can only be very general in nature.

Accordingly, you are advised to consult with a professional tax advisor regarding the tax treatment of your contributions, earnings and distributions. The Plan Administrator will provide you with the “Special Tax Notice Regarding 401(k) Savings & Stock Ownership Distributions” prior to making your first distribution to you from the Plan.

- Contributions you make on a before-tax basis to the Plan are not included in your gross income as reported on your federal and state income tax returns for the year for which the contributions are made. These contributions thus reduce the amount of your income subject to federal and state income tax withholding. These amounts are usually taxable when they are withdrawn or distributed to you or your beneficiary.
- Company match allocations under the Plan, and dividends, interest and other income attributable to your account are not taxable to you when they are credited to your account. These amounts are usually taxable when they are withdrawn by or distributed to you or your designated beneficiary.
- Subject to limitations imposed by the tax code, the Company’s contributions to the Plan are deductible in the year for which they were made. The amount of such deduction will generally be equal to the amount contributed to the Plan.
- Withdrawals or distributions under the Plan that represent a return of your after-tax contributions generally will be taxable to you only to the extent that they are deemed to include a pro-rata portion of the earnings on the after-tax contributions.
- Withdrawals or distributions that are taxable will be usually taxed as ordinary income. Participants who were born before 1936 may be eligible for special, favorable tax treatment of lump-sum distributions. These participants should consult the Plan Administrator before receiving a distribution from the Plan.
- You generally may roll over non-hardship distributions to another qualified retirement plan or an individual retirement account (IRA) and avoid current taxation. Any taxable portion of your distribution that is not rolled over becomes taxable income to you in the year of distribution.
- In general, if you do not elect a direct tax-free rollover of an eligible rollover distribution, the company will be required to withhold federal income tax on the taxable portion at the rate of 20%.
- You will not be taxed as of the date of withdrawal or distribution for net unrealized appreciation (over the basis to the Trustee) applicable to common stock purchased with after-tax employee contributions. The net unrealized appreciation will, however, be taxable as a capital gain when a sale, exchange or other disposition occurs with respect to the stock.

- You will not be taxed as of the date of the distribution on the net unrealized appreciation (over the basis to the Trustee), if any, on common stock distributed as part of a lump-sum distribution. The net unrealized appreciation will, however, be taxable as a capital gain when a sale, exchange or other disposition occurs with respect to the stock.
- In general, if you receive a distribution or withdrawal from the Plan before you reach age 59½, it will be subject to an additional income tax (or early withdrawal penalty) equal to 10% of the taxable portion. This additional tax will generally not apply to a distribution or withdrawal made on account of, among other exceptions, separation from service on or after age 55, death, disability, deductible medical expenses, permissible refunds of excess employee or company contributions, distributions under a Qualified Domestic Relations Order, or dividend distributions. In addition, the additional tax will not apply to distributions that are part of a series of substantially equal periodic payments made for the life of the participant or the joint lives of the participant and his or her beneficiary.

When you receive a distribution or withdrawal, it will be necessary for you to determine the precise effect on your federal and state taxes. At the time you request a distribution or withdrawal from the Plan, you will be provided with a more detailed explanation of the federal income tax consequences.

You must remember that tax laws are complex and change from time to time. Employees of Vanguard and/or Progress Energy should not be relied upon for interpretation of the tax laws. You or your beneficiary should obtain your own tax advice to determine precisely what your federal income tax situation might be and to find out how state, local, or other taxes will affect your Plan benefits.

Plan Administration

Claim and Appeal Procedures

Claims Procedure

Employees, former employees with vested benefits, their beneficiaries, or any individual duly authorized by them have the right under ERISA, as amended, and the Plan to file a written claim for payment. You may also file a claim if you believe that vesting service has not been computed correctly. If you or your beneficiary believes you may be entitled to benefits under the Plan, you should first contact Vanguard Participant Services at 1-800-523-1188 or the Employee Service Center at 1-800-546-5705.

If your request for payment is denied, you should file a written request with the Secretary of the Administrative Committee. Send your written claim for Plan benefits to Secretary – Administrative Committee, Savings Plan for Employees of Florida Progress Corporation, c/o Progress Energy Service Company, LLC, P.O. Box 1551, Raleigh, NC 27602-1551.

If your claim is denied in whole or in part, you will receive written notice of the Administrative Committee’s decision, including the specific reason for the decision, within 90 days after the Administrative Committee received the claim.

If the Administrative Committee needs more than 90 days to make a decision, you will be notified in writing within the initial 90-day period explaining why more time is required. In this case, the Administrative Committee may take an additional 90 days to make a decision.

Appeal Procedure

If a claim for benefits is denied in whole or in part, you will receive a written explanation of the specific reasons for the denial, the Plan provisions upon which the denial was based, and any additional information you need to submit to the Administrative Committee. You or your authorized representative may appeal in writing within 60 days after the denial is received. Send the appeal directly to the Administrative Committee at the address above. It will conduct a review and make a final decision within 60 days after receipt of the written request for review.

If the Administrative Committee needs more than 60 days to make a decision, it will notify you in writing within the initial 60-day period and explain why more time is required. The Administrative Committee may then take an additional 60 days—for a total of 120 days—to decide. The decision will be in writing and will include the specific reasons for the decision and will describe your right to bring an action under Section 502 of ERISA.

Submitting an Appeal

If you or your representative submits a written appeal for review of a denied claim, you have the right to:

- Review pertinent Plan Documents, and
- Write the Administrative Committee about the issues and enclose any documents supporting the claim for benefits or other matter under review, even if they were not included in your original claim.

The Administrative Committee shall serve as the final review Committee under the Plan. It shall have sole and complete discretionary authority to determine conclusively for all parties, and in accordance with the terms of the documents or instruments governing the Plan, any and all questions arising from administration of the Plan and interpretation of Plan provisions. It shall determine of all questions relating to participation of eligible employees and eligibility for benefits, determine all facts, the amount and type of benefits payable to any participant, and construction of all terms of the Plan. Decisions by the Administrative Committee shall be conclusive and binding on all parties and not subject to further review.

Plan Name

Savings Plan for Employees of Florida Progress Corporation

Employer's Name & Address

Progress Energy Florida, Inc.
299 First Avenue North
St. Petersburg, FL 33701

Employer Identification Number

No.59-2147112
Plan No. 002

Type of Plan

Defined Contribution Plan

Plan Administrator

Progress Energy Service Company, LLC
Employee Service Center
P.O. Box 1551
PEB 16 ESC
Raleigh, NC 27602-1551
1-800-546-5705

The Plan is administered by the Administrative Committee, which is appointed by the resolution of the Board of Directors of Florida Progress Corporation. The Administrative Committee, or its delegate, has the authority to interpret and construe the Plan. It should be noted that any determination or action of the Administrative Committee with respect to any question regarding the administration of the Plan is final and is binding upon everyone having an interest in the Plan, except for the appeal procedure granted by ERISA. (Also see *Your Rights Under ERISA*, [page 33](#).) The Administrative Committee is responsible for the general administration of the Plan.

The Plan Administrator may be contacted by writing to:

Administrative Committee
Savings Plan for Employees of Florida Progress Corporation
c/o Progress Energy Service Company, LLC
410 S. Wilmington Street
Raleigh, NC 27601
1-800-546-5705 or VoiceNet 770-5705

Plan Sponsor

Florida Progress Corporation
299 First Avenue North
St. Petersburg, FL 33701

Agent for Service of Legal Process

Vice President, Human Resources
410 S. Wilmington Street
Raleigh, NC 27601
1-800-546-5705.

Service of legal process may also be made upon the Trustee or Plan Administrator.

Investment Fund Management

The Investment Committee sets the investment policy for the Plan Trust and establishes investment objectives for the various funds. It conducts searches for fund managers and appoints or removes them when appropriate. Investment performance of each fund manager is monitored to ensure compliance with investment objectives and ERISA legislation.

Plan Trustee

The Vanguard Fiduciary Trust Company
P.O. Box 2900
Valley Forge, PA 19482-2900
1-800-523-1188

Plan Year for Account Purposes

The Plan operates on a calendar year basis. December 31 is the end of the year for maintaining the Plan’s fiscal records.

Fund Prospectuses

You may request the following additional information about the Progress Energy Stock Fund and other Plan funds by contacting Vanguard’s Participant Services Associates at 1-800-523-1188 or by going to Vanguard’s web site at www.vanguard.com or from the managers of each Plan fund.

- Informational materials relating to each fund;
- A prospectus for each fund that contains information on fund assets and investments; and
- A list of the assets comprising the portfolio of the fund and the value of each asset as of a given date—for example, December 31 of any year.

Non-Assignment of Benefits

You may not assign or transfer your interest in the Plan, except that once you start receiving your benefits, an amount not to exceed 10% of any payment may be assigned by you, providing such assignment is voluntary and revocable.

To the extent permitted by law, your interest in the Plan is not subject to any obligation or liability. However, if a Qualified Domestic Relations Order (QDRO), as defined in the Retirement Equity Act of 1984 and Section 414(p) of the Internal Revenue Code, has been authorized by a court as part of a legal proceeding and **qualified** by the Plan Administrator or a delegate, your account shall be subject to the applicable requirements of the Qualified Domestic Relations Order. You must notify the Employee Service Center at 1-800-546-5705 or VoiceNet 770-5705 if you have a Qualified Domestic Relations Order.

Because QDROs are complicated, it is important for you, as a participant, to know that the Plan Administrator will freeze your account upon **receipt** of an order that is seeking benefits for an Alternate Payee. An Alternate Payee may be a spouse, former spouse, or a child. Your account will be frozen during the determination period, which may take as long as 18 months. The “determination period” is a review of the order by the Plan Administrator or a delegate. Please contact the Employee Service Center **before** any legal action to obtain specific information on your individual situation. You may obtain, without charge, a copy of the Plan’s procedures governing QDRO determinations from the Plan Administrator.

If the Plan Administrator receives an Order, the process outlined below will be followed. You will be notified and provided with a copy of the documentation received.

- Your Plan account will become frozen to prevent any withdrawals or new loan activity. However, you may continue making contributions, change your contribution rate, or authorize fund exchanges.
- The Plan Administrator will have the Order reviewed to determine if it is **qualified**.
- If it is determined the Order is **qualified**, you will be notified of the required administrative action.
- If it is determined the Order is **not qualified**, you and other relevant parties will be notified of the reason(s) for failure. During that time, payments or access to your account will remain frozen, as described above, pending final resolution.

Plan Continuance

Although it is the intention of the Company that the Plan continue in operation, the Company has the right to amend the Plan, discontinue its contributions at any time, and/or to terminate the Savings Plan subject to the provisions of ERISA and the Memorandum of Agreement. If the Plan is terminated, all participant contributions and company match allocations through the date of termination will be vested. The expenses of administering the Plan may be paid from Plan assets if not paid by the company.

Loss of Benefits

Benefits may be lost due to adverse investment experience, the operation of limitations presently in the Internal Revenue Code or hereafter introduced, your cessation to meet the Plan eligibility requirements to receive a contribution, the imposition on such benefits of income, penalty and excise taxes or the application of a qualified domestic relations order. You could also lose benefits if the IRS or a court determines that the Plan failed to satisfy the tax qualification requirements of the Internal Revenue Code. You could also lose benefits if the Plan Administrator determines you were not entitled to benefits under the Plan based on the provisions of the Plan (however, see your right to appeal such determination included in this SPD).

Notices; Missing Persons

It is your responsibility to keep the Plan Administrator fully advised as to any changes that may have a bearing on benefit entitlements. The Plan Administrator will not be responsible for failure to locate missing persons.

Payments to Minors and Other Persons Under Legal Disability

Any benefit payable to or for the benefit of a minor, an incompetent person, or other person incapable of receipting for his or her benefits will be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person.

Special Provisions for Military Employees

If you are on qualified military service, special provisions may apply to permit you to makeup missed contributions to the Plan and receive missed employer contributions. Please contact the Plan Administrator for additional details.

Your Rights Under ERISA

As a participant in the Plan you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all Plan participants shall be entitled to:

Receive Information About Your Plan and Benefits

- Examine, without charge, at the Plan Administrator’s office and at other specified locations, such as work sites and union halls, all documents governing the Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The administrator may make a reasonable charge for the copies.
- Receive a summary of the Plan’s annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate the Plan, called “fiduciaries” of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a Plan benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a Plan benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the Plan’s decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in federal court.

If it should happen that Plan fiduciaries misuse the Plan’s money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance With Your Questions

If you have any questions about the Plan, you should contact the Employee Service Center. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory, or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

The Plan is subject to all of the principal protective provisions of Titles I and IV of ERISA.

Benefits under the Plan are not insured by the Pension Benefit Guaranty Corporation as such insurance does not apply to a defined contribution plan.

Notice of Your Rights Concerning Employer Securities

This notice informs you of an important change in Federal law that provides specific rights concerning investments in employer securities (company stock). Because you may now or in the future have investments in company stock under the Progress Energy 401(k) Plan, you should take the time to read this notice carefully.

Your Rights Concerning Employer Securities

Beginning January 1, 2007, the 401(k) Plan must allow you to move any portion of your account that is invested in company stock from that investment into other investment alternatives under the 401(k) Plan. This right extends to all the company stock held under the 401(k) Plan. You may contact the Employee Service Center for specific information regarding this new right, including how to make this election. In deciding whether to exercise this right, you will want to give careful consideration to the information below that describes the importance of diversification. All the investment choices in the 401(k) Plan are available to you if you decide to diversify out of company stock.

The Importance of Diversifying Your Retirement Savings

To help achieve long-term retirement security, you should give careful consideration to the benefits of a well-balanced and diversified investment portfolio. Spreading your assets among different types of investments can help you achieve a favorable rate of return, while minimizing your overall risk of losing money. This is because market or other economic conditions that cause one category of assets, or one particular security, to perform very well often cause another asset category, or another particular security, to perform poorly. If you invest more than 20% of your retirement savings in any one company or industry, your savings may not be properly diversified. Although diversification is not a guarantee against loss, it is an effective strategy to help you manage investment risk.

In deciding how to invest your retirement savings, you should take into account all your assets, including any retirement savings outside of the Plan. No single approach is right for everyone because, among other factors, individuals have different financial goals, different time horizons for meeting their goals, and different tolerances for risk. Therefore you should carefully consider the rights described in this notice and how these rights affect the amount of money that you invest in company stock through the Plan.

It is also important to periodically review your investment portfolio, your investment objectives, and the investment options under the 401(k) Plan to help ensure that your retirement savings will meet your retirement goals.

For more information

If you have any questions about your rights under this new law, including how to make an investment election, you may call the Progress Energy Employee Service Center.