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Progress Energy 401(k) Savings & Stock Ownership Plan Summary Plan Description

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Applies to: Eligible employees of Progress Energy Carolinas, Inc., Progress Energy Florida, Inc. (non-bargaining employees), Progress Energy Service Company, LLC

Keywords: human resources information; benefits booklets; SPD

Progress Energy 401(k) Savings & Stock Ownership Plan (as amended and restated effective January 1, 2006)
Summary Plan Description

This document is a Summary Plan Description (SPD) for the Progress Energy 401(k) Savings & Stock Ownership Plan (the "Plan"). It is intended to be an easy-to-understand explanation of your benefits under the 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 document, the Plan document 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 Plan at any time in its sole discretion.

In this summary, "the company" or "Progress Energy" means Progress Energy, Inc. or any participating subsidiary. The "Plan" and the "401(k) Plan" mean the Progress Energy 401(k) Savings & Stock Ownership Plan.

This document constitutes a part of a prospectus covering securities that have been registered under the Securities Act of 1933. 22,215,069 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 2011.

Reference Forms

HRI-SUBS-50005	Summary of Material Modifications
HRI-SUBS-00030	Progress Energy 401(k) Savings & Stock Ownership Plan Prospectus
HRI-SUBS-00031	Progress Energy 401(k) Savings & Stock Ownership Plan Prospectus Supplement
HRI-SUBS-50012	Progress Energy 401(k) Savings & Stock Ownership Plan Safe Harbor Notice
FRM-SUBS-00015	Progress Energy 401(k) Savings & Stock Ownership Plan Rollover Contribution Application Form
FRM-SUBS-00341	Progress Energy 401(k) Savings & Stock Ownership Plan Beneficiary Form

Forward

The Plan was adopted by the Board of Directors of Progress Energy, Inc. (formerly Carolina Power & Light Company) on March 8, 1961, approved by the shareholders of the company at their annual meeting on May 17, 1961, and became effective on July 1, 1961. The Plan has been amended and restated on numerous occasions, and was last amended and restated effective January 1, 2006.

The Plan is a qualified defined contribution retirement plan sponsored by Progress Energy, Inc. for the benefit of non-bargaining unit employees in its participating subsidiaries. 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 (Code). The Plan is intended to comply with the requirements of Sections 401(a), 402A, and 401(k) of the Code and with all applicable provisions of ERISA. A trust fund to hold Plan assets is maintained by State Street Bank and Trust Company, N.A.

Effective December 31, 2001, the accounts of actively employed participants in the Savings Plan for Employees of Florida Progress Corporation who were not subject to collective bargaining agreements were transferred to this 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 that plan.

The company intends for the Plan to meet the requirements of Section 404(c) of the Employee Retirement Income Security Act (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 of 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.

The purpose of the Plan is to encourage systematic and diversified retirement saving by employees. Employees have the opportunity to make before-tax, after-tax and/or Roth contributions to the Plan. When you contribute to your account under the Plan, you gain tax advantages.
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 contributions, investment earnings and the contributions your company makes to your account until you receive a distribution under the Plan.

You are urged to read this document 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 currently 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 currently 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. By 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.

This SPD is intended to provide a summary of the Plan and explain the investment options offered with the existing funds. 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 the Progress Energy 401(k) Plan Service Center at Fidelity 1-866-401k-NOW (1-866-401-5669) any time between 8:30 a.m. and 9:00 p.m. Eastern Time, Monday through Friday.

401(k) Plan At-a-Glance

Eligibility

You are eligible to participate if you are a full-time employee of a participating subsidiary of Progress Energy scheduled to work 40 or more hours per week or a part-time or temporary employee of a participating subsidiary of Progress Energy. You are eligible to begin participating in the Plan as of your date of hire or on the first day of any month thereafter.

Enrollment

You may enroll in the Plan through one of the following methods

- Call the Progress Energy 401(k) Plan Service Center at Fidelity 1-866-401k-NOW (1-866-401-5669) and speak with a representative.
- Log on to www.401k.com, create your PIN and enroll in the Plan. You will also need to complete and return the Beneficiary Designation form available on the same web site.

Contributions

You may contribute:

- Up to 75% of your eligible earnings as a combination of before-tax, after-tax, and/or Roth contributions
- No more than $16,500 during 2011 (subject to annual adjustment) in total of before-tax and Roth contributions
- No more than $5,500 during 2011 (subject to periodic adjustment) in total of before-tax Catch-Up and Roth Catch-Up contributions if you are or become age 50 or older during the Plan year

100% of the first 6% of eligible earnings that you contribute to the Plan each pay period will be matched by the company. Company Matching are invested in the same investments and election %'s as a participant's contributions

Tax Savings

Your before-tax contributions, Company Matching Allocations and before-tax Catch-Up contributions, and earnings on your investments, are tax-deferred.

Investment Choices

You may allocate your investments among any or all of the available investment funds outlined in the section entitled "**Investment Choices**".

For More Information

- Log on to www.401k.com to learn investment basics, check account balances, initiate account transactions and model long-term savings strategies
- Call the Progress Energy 401(k) Plan Service Center at Fidelity to check balances, initiate transactions or speak to a representative at 1-866-401K-NOW (1-866-401-5669)

Participation

Eligibility

You are eligible to participate in the Plan when your employment begins if you are classified as a non-bargaining unit regular, full-time, part-time or temporary employee. If you do not elect to begin participating in the Plan immediately when your employment begins, you may begin participating effective as of the first day of any month thereafter.

Only employees of participating subsidiaries of Progress Energy (who are treated as such for federal tax purposes) may participate in the Plan. Independent contractors, leased employees, contract employees, employees of non-participating affiliates, members of bargaining units and any other classification of service provider other than a regular full-time employee or part-time or temporary employee, are not eligible to participate in the Plan.

Currently, the participating subsidiaries of Progress Energy are the following companies:

Progress Energy Carolinas, Inc.	Progress Energy Service Company, LLC
Progress Energy Florida, Inc. (non-bargaining employees)	*Progress Fuels Corporation

*If you were a participant in the Progress Fuels Corporation 401(k) Plan (the "Progress Fuels Plan") and your account was transferred to this Plan following the termination of the Progress Fuels Plan, you are a participant in this Plan only with respect to your transferred Progress Fuels Plan account, and you are not otherwise eligible to make or receive contributions under this Plan.

You may contact the Plan Administrator to verify whether your specific employer or employee organization is a participating employer in the Plan.

All eligible employees will receive Company Matching Allocations based on their contributions as soon as their participation in the Plan begins.

Enrollment

Participation in the Plan is voluntary. Information about enrolling in the Plan will be provided with the other benefits material you receive as a new employee. You may enroll by phone or by accessing the internet:

- To enroll by phone, call the Progress Energy 401(k) Plan Service Center at Fidelity at 1-866-401K-NOW (1-866-401-5669) to speak to a representative. You will still need to complete a Beneficiary Designation form.
- To enroll online log on to www.401k.com. You will also need to complete and return the Beneficiary Designation form available on the www.401k.com web site.

To enroll in the Plan, you will need to provide:

- The percentage of your eligible earnings that you want to save: before-tax, after-tax and/or Roth contributions
- Your investment allocations
- The beneficiary(ies) to receive the value of your vested account balance in the event of your death

Choosing a Beneficiary

Rules for naming your beneficiary depend on your marital status:

- **If you are single**—You may name any beneficiary you wish.
- **If you are married**—Federal law requires that your current legal spouse be your beneficiary unless your spouse provides his/her written, notarized consent for you to name a different beneficiary.

Your beneficiary can be your current legal spouse, another person, a trust, estate or other legal entity named by you to receive payment of benefits provided under the Plan in the event of your death (subject to spousal consent rules). You may also name a contingent beneficiary. Beneficiary designations may be subject to applicable state law.

You may change or revoke any beneficiary designation by completing a Beneficiary Designation form online at www.401k.com. The new designation will be effective if the Fidelity receives it before your death, and, if you are married, your current legal spouse provides written, notarized consent to a non-spouse beneficiary. Be sure to update your beneficiary designation if your marital status changes.

You should name a beneficiary even if you do not currently intend to make contributions to the Plan.

Your beneficiary designation is automatically revoked if:

- You get divorced and your beneficiary is your former spouse.
- You remarry and your beneficiary is someone other than your new spouse.

Default Beneficiary Designation
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, 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.

Vesting

Your Contributions
You are always 100% vested in—that is, you own—the contributions you make to the Plan.

Earnings on Your Contributions
You are also 100% vested in the investment earnings credited on your contributions.

Company Matching Allocations
You will be 100% vested in any Company Matching Allocations (and any investment earnings on these allocations) credited to your account on and after January 1, 2008. You also will be immediately vested in all dividends generated from the Progress Energy Stock Fund in the Plan.

You became 100% vested in any Company Matching Allocations made prior to January 1, 2008 once you completed one year of service.

Generally, if you terminated your employment with the company and all its affiliates before any of the Company Matching Allocations in your account had vested (that is, before you had completed one year of service), you forfeited the unvested portion. If you return to work for the company within five years, your forfeited Company Matching Allocations will be restored. If you terminate your employment and receive a distribution, your Company Matching Allocations will be restored if you return to work in the same Plan year and repay the distribution in a lump sum within five years.

Any forfeitures will be used to reduce the Company Matching Allocations or to pay reasonable administrative expenses of the Plan.

Accelerated Vesting
Even if you had not satisfied the service requirements outlined above, you will be 100% vested in your Company Matching Allocations made prior to January 1, 2008:

- If you reach your normal retirement age under the Plan, which is age 65;
- If you die before your Company Matching Allocations are forfeited or while you are performing qualified military service;
- If you become totally and permanently disabled while employed;
- If you are placed in a specially designated company outplacement program and are not subsequently rehired; or

- If the company discontinues the Plan.

When Contributions End

Your contributions to the Plan and Company Matching Allocations will end with the last paycheck you receive after your employment terminates from the company and all its affiliates (see **When You Terminate Employment** for information about receiving your benefit after you leave the company).

While you are still employed, you may elect to suspend your contributions to the Plan at any time. You may elect to reinstate your contributions at any time, unless you have received a hardship withdrawal or you have taken an in-service withdrawal on account of the performance of qualified military service. In those instances, your contributions to the Plan will be automatically suspended for six months (see **Distributions from the Plan).**

Your Contributions

When you first enroll in the Plan, you choose the percentage of your annual eligible earnings to contribute to the Plan. Your "eligible earnings" include your base pay (including RO/SRO pay) minus Choice Time deductions as well as any differential pay paid to you while performing qualified military service. Your eligible earnings are not reduced by any contributions you make to the Plan or any other benefit plans. They do not include commissions, overtime, shift differential, special payments, fees, allowances, incentives, bonuses or any amount you may contribute to the Management Deferred Compensation Plan, if applicable. For Plan purposes, differential pay is any pay you receive from the company with respect to any period during which you are performing service in the uniformed services, as defined by USERRA, during a period of active duty that lasts at least 30 days. Differential pay represents the difference, if any, between the wages you would have received from the company if you had been performing service for the company and the military pay you receive on active duty. For Plan purposes, the amount of your "eligible earnings" which can be taken into account each Plan year is limited under Code Section 401(a)(17). The limit is $245,000 for 2010 and 2011. Amounts in excess of this limit must be disregarded for purposes of determining your contributions to this Plan.

Contributions are automatically deducted from your pay. You may change your contribution election at any time, subject to the limits outlined below. Because you elect a percentage of your eligible earnings to save under the Plan (not a fixed dollar figure), the actual amount of your contributions will vary if your eligible earnings change from one pay period to the next.

You may make before-tax contributions, after-tax contributions, Roth contributions, or a combination of all three. Your before-tax contributions reduce, on a dollar-for-dollar basis, the amount of your earnings that are immediately subject to federal and state income tax. See the section called "**Tax Effects of Plan Participation"** for a more detailed explanation.

Before-Tax Contributions versus After-Tax and/or Roth Contributions

As stated above, your contributions to the Plan may be made as a combination of before-tax, after-tax and/or Roth contributions.

Before-tax contributions are deducted from your pay before federal and most states' income taxes are calculated. (Federal law requires Social Security and/or Medicare taxes be taken on your contributions, depending on your income.) This reduces your taxable income during the year in which you make your contributions. You will have to pay income taxes on your before-tax contributions and any earnings on those before-tax contributions when you withdraw them from the Plan.

After-tax and Roth contributions are deducted from your pay after federal and state income taxes and Social Security taxes are calculated. You will not have to pay income taxes on your after-tax or Roth contributions when you withdraw them from the Plan. Any earnings on after-tax contributions are taxed upon withdrawal. Earnings on Roth contributions are not subject to federal and, in most cases, state income taxes when they are distributed to you as long as the distribution is a qualified Roth distribution. See section entitled "**Withdrawals of Roth Contributions**" below.

Illustration: Tax Savings with Before-Tax Contributions

By contributing on a before-tax basis, you lower your pay for tax purposes. As a result, you pay less in current taxes than you would if you saved on an after-tax or Roth basis. For example, assume that you earn $35,000 per year, are in a 28% tax bracket and contribute 6% of your pay to the Plan:

	If you save 6% *before* taxes	**If you save 6% *after* taxes**
Your annual pay	$35,000	$35,000
You save 6% of pay	$2,100	$2,100
Your taxable pay	$32,900	$35,000
Your tax savings ($2,100 x 28% tax bracket)	$588	—

As you can see, before-tax savings reduce your taxable pay so you pay less tax in the current year. Your exact tax savings will depend on your federal tax bracket, state and local income taxes and your contribution amount.

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 if you elect to make before-tax contributions to the Plan.

Effect on Other Employee Benefits
Although before-tax contributions reduce your pay for income tax purposes, the full amount of your eligible earnings will be used to determine your other pay-related benefits. For example, the calculation of benefits under your Life Insurance and the Progress Energy Pension Plan will include the amounts you contribute to the Plan in the form of before-tax, after-tax and/or Roth contributions.

Maximum Combined Contribution Limits

The maximum amount you may contribute to your account in a Plan year (January 1 – December 31) depends upon the <u>IRS limit for the current year and the Plan's deferral limit</u>. The Plan's maximum combined contribution limit for 2011 is 75% of eligible earnings. ***However, the total of your before-tax contributions, after-tax contributions, Roth contributions and any employer contributions made on your behalf for the 2011 calendar year cannot exceed the lesser of (1) $49,000 or (2) 100% of your eligible earnings. 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 before-tax contributions.*** Note that all contribution amounts are subject to adjustment by the Plan Administrator, if necessary, to permit the Plan to meet certain non-discrimination tests imposed on 401(k) plans by the Internal Revenue Code.

IRS Limit

For the 2011 Plan year, the IRS limit on before-tax and/or Roth contributions to the Plan is $16,500. If your before-tax and/or Roth contributions reach this limit before the end of the year, your contributions will automatically continue on an after-tax basis for the remainder of the year, up to the maximum combined limit described above, unless you change your contribution election. Your contribution will automatically revert back to before-tax and/or Roth contributions, as applicable, beginning the first payroll of the following year, assuming you did not suspend your contributions in the intervening period.

In applying the IRS limit, you must take into account any before-tax and/or Roth 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 and/or Roth contributions under all such arrangements for any calendar year exceeds the IRS limit, it is ***your*** responsibility to notify the Plan Administrator immediately so that a timely refund can be made to protect you from adverse tax consequences.

Catch-Up Contributions

If you are age 50 or older, or will turn age 50 at any time during the Plan year, you may make additional contributions called "Catch-Up" contributions on a before-tax basis. You can also elect to make Roth Catch-Up contributions, which would be made on an after-tax basis. You do not have to wait until your 50th birthday to elect to make before-tax or Roth Catch-Up contributions. In addition, you do not have to reach the IRS limit or the maximum combined limit before you begin making before-tax or Roth Catch-Up contributions. However, if you do not reach the maximum combined limit or the IRS limit during a Plan year, any before-tax Catch-Up contributions you made for the year will be re-characterized as regular before-tax contributions and any Roth Catch-Up contributions you made for the year will be re-characterized as regular Roth contributions.

Before-tax and Roth Catch-Up contributions are in excess of the IRS limit or the maximum combined limit, whichever you reach first.

Your before-tax and Roth Catch-Up contributions will be made as scheduled payroll deductions, just like your other contributions to the Plan, and will be invested in the same funds as your other contributions. You may start or stop before-tax and Roth Catch-Up contributions at any time during the year. This election will remain in effect until you change it. However, to take advantage of the increased amounts you may contribute each year, you will need to adjust your per pay period amount annually.

To elect before-tax or Roth Catch-Up contributions, log on to the Fidelity Web site at www.401k.com or call the Progress Energy 401(k) Plan Service Center at Fidelity at 1-866-401K-NOW (1-866-401-5669). You should first elect to contribute either the maximum contribution percentage of 75% or the annual limit on before-tax and Roth contributions ($16,500 for 2011). Then, calculate the dollar amount you need to contribute each pay period to reach the Catch-Up contribution maximum for the current year ($5,500 in 2011 divided by your number of pay periods). The maximum you may contribute between before-tax and Roth Catch-Up contributions is $5,500 for 2011.

Progress Energy generally does not match before-tax or Roth Catch-Up contributions. This means that, in order to maximize your Company Matching Allocations, any before-tax or Roth Catch-Up contributions you make should be in addition to regular before-tax, after-tax and/or Roth contributions of at least 6% of your eligible earnings each pay period throughout the entire year, up to the IRS limit.

If you choose to make before-tax or Roth Catch-Up contributions, you must make a separate election. When you enroll, you must enter the percentage of eligible earnings to be taken from your paycheck for before-tax, after-tax and/or Roth elections, and a dollar amount per pay period must be specified for before-tax or Roth Catch-Up contributions.

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 would like. 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 you.

In general, any employee who has W-2* earnings greater than **$110,000 in 2010** is classified as a highly-compensated employee for the 2011 plan year. This amount is indexed for inflation and is subject to periodic increases.

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

Company Matching Allocations

You are eligible for Company Matching Allocations as soon as you begin to participate in the Plan. When you make contributions to your account—before-tax, after-tax and/or Roth—the matching allocation will be invested in the same way as your regular plan contributions. The value of the match is $1.00 for every dollar you save, up to the first 6% of eligible earnings each pay period that you contribute.

Rollover Contributions from Other Plans

Subject to the approval of the Plan Administrator, you may roll over distributions from other qualified retirement plans into the Plan whether or not you choose to make contributions to the Plan through payroll deduction. You may invest the amount of your rollover in 1% increments in any of the fund options available under the Plan (see **Investment Choices**). The IRS limit does not apply to rollover contributions.

To make a rollover contribution, you will need to complete a Progress Energy 401(k) Plan Rollover Contribution Application (**FRM-SUBS-00015**), available on the Progress Energy Intranet. The application contains complete instructions about the rollover process. A Progress Energy 401(k) Plan Rollover Contribution Application is also available on Fidelity NetBenefits at www.401k.com. If you have questions about rollover contributions, please call the Progress Energy 401(k) Service Center at Fidelity, at 1-866-401K-NOW (1-866-401-5669) to speak with a representative.

Investment Choices

You have several funds to choose from for your Plan savings. Your 401(k) investment options are summarized below. Consult each fund's prospectus for additional information. See page **29** of this summary plan description for information on how to obtain each fund's prospectus.

If you don't make investment elections for your contributions, they will be invested in the fund designated by the Administrative Committee as the Plan's default investment fund until you elect otherwise. Currently, the Plan uses the target retirement date fund (Fidelity Freedom Fund) that is closest to your 65th birthday as the Plan's default investment option. The target retirement date funds invest in Fidelity mutual funds using an asset allocation strategy designed for investors planning to retire and leave the workforce in or within the target year of the individual funds. The funds' asset allocations will become more conservative over time. Please contact Fidelity, the plan's recordkeeper, 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.

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 the investment funds offered as investment options under the Plan.

The range of investment choices under this Plan is intended to enable you to diversify your retirement savings to best meet your personal retirement income goals. From time to time, the Administrative Committee may add or delete investment options under the Plan. In addition, the investment procedures and restrictions described below may change as the Plan is amended or modified, or as laws regulating the Plan change.

The fund information provided in this summary plan description and the separate document that constitutes an additional part of the Plan prospectus, which document contains additional information for each of the investment funds offered as investment options under the Plan, is designed to inform rather than to advise you about your 401(k) investment choices. For personal investment advice, you should consult a professional investment advisor. Remember, your investment decisions are your responsibility.

Expenses

Progress Energy pays most of the administrative costs of the Plan, such as the costs for record keeping. You pay for withdrawals, loan origination and annual loan maintenance fees, and 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 respective fees for that 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 Progress Energy Service Center at Fidelity 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.

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) 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 of 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.

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 you monitor and rebalance your investments each year. Please consider consulting with your own financial advisor regarding your investments under the Plan.

Investing Your Contributions

You may allocate your contributions in any combination among the available Plan investment options. You can invest in increments of 1%, and your total allocations to the investment options must equal 100%.

Choices for Company Stock Dividends

The dividends from your Progress Energy Stock Fund will automatically be reinvested in that fund. However, you may elect to have the dividends paid to you in cash. If you elect to receive your dividend payments in cash, they will be taxable as ordinary income. Elections made at least three days before a dividend record date will take effect the following dividend pay date. Quarterly dividend pay dates generally fall on February 1, May 1, August 1 and November 1. The dividend record date is generally 20 to 25 days before the pay date. Your dividend payment election will remain in effect for subsequent dividend payments unless you make a change.

Participant-Directed Accounts

Because the Plan is intended to constitute a plan described in Section 404(c) of ERISA and the regulations thereunder, the trust fund has been divided into the investment funds described below that you must choose among for the investment of your account. You or your beneficiary, and not any 401(k) Plan fiduciary, will be responsible for any investment losses that result from you or your beneficiary’s investment selections. As a participant or beneficiary who has elected to invest in the specific investment funds described below, you have available to you the following information on www.401k.com in addition to the information contained in this SPD:

- A general description of the investment objectives and risk and return characteristics of each investment fund including information relating to the type and diversification of assets comprising the investment fund.
- Information identifying the investment manager of each investment fund.
- An explanation of how you or your beneficiary may give investment instructions and the limitations on the investment instructions that you or your beneficiary may give.
- A description of any transaction fees and expenses that affect you or your beneficiary’s account balance in connection with your purchases and sales of interests in each fund.
- The name, address and phone number of the Plan Administrator (and any person designated to act on behalf of the Plan Administrator) responsible for providing additional information, which the Plan is required to furnish on request.
- A description of the procedures established to keep confidential your purchase, holding and sale of securities under the Progress Energy Common Stock Fund and your exercise of voting, tender and similar rights.

- Information concerning the current value of the investment funds as well as their past and current investment performance.
- Information concerning the value of the shares or units of the investment funds held in your account.

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.

Investment Funds

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, which 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 the investment funds offered as investment options under the Plan.

Investment Fund	Asset Class	Sub-Asset Class
Vanguard Institutional Index Fund	Equity	Large Cap Core
Growth Fund of America	Equity	Large Cap Growth
Fidelity Equity Income	Equity	Large Cap Value
Fidelity Mid Cap Stock	Equity	Mid Cap Growth
Columbia Acorn Fund/Z	Equity	Small / Mid Cap Core
Progress Energy Company Stock Fund	Equity	Company Stock
EuroPacific Growth Fund	Equity	International Equity
PIMCO Total Return Fund	Fixed Income	Core Bonds
Vanguard Retirement Savings Trust	Stable Value	
Fidelity Freedom K® Funds (see list below)	Target Retirement Date	
CVO Investment Fund*		

(*This fund is closed for exchanges in or new incoming contributions.)

Target Retirement Date funds

- Fidelity Freedom K® Income Fund
- Fidelity Freedom K® 2005 Fund
- Fidelity Freedom K® 2010 Fund
- Fidelity Freedom K® 2015 Fund
- Fidelity Freedom K® 2020 Fund
- Fidelity Freedom K® 2025 Fund
- Fidelity Freedom K® 2030 Fund
- Fidelity Freedom K® 2035 Fund
- Fidelity Freedom K® 2040 Fund
- Fidelity Freedom K® 2045 Fund
- Fidelity Freedom K® 2050 Fund

Managing Your Account

You should review your financial plan periodically to make sure your investment choices continue to reflect your investment goals.

Periodically, you will want to adjust your investment strategy to stay on target with your financial goals. Your options for making changes are described below. Fund transfers are generally valued at close-of-market prices on the day your request is made (or the first business day following your request if it is made after 4 p.m. Eastern Time or on a non-business day.)

Changing Your Contribution Amount

You may increase or decrease your total Plan contributions anytime up to the limits described in **Contributing to the Plan** above. You may also suspend contributions to the Plan altogether. Suspensions may be made at any time and you may reinstate your contributions at any time, unless you receive a hardship withdrawal or you have taken an in-service withdrawal on account of the performance of qualified military service. In those instances, all contributions to the Plan will be automatically suspended for six months (see ***Distributions from the Plan*).**

To make a change, call the Progress Energy 401(k) Service Center at Fidelity, at 1-866-401K-NOW (1-866-401-5669) or access the Fidelity NetBenefits web site at www.401k.com. Changes generally take effect within 2 pay periods.

When your rate of pay changes, your contributions and the Company Matching Allocations automatically change. The percentages you elected for before- tax, after-tax and/or Roth contributions and for investment allocations will be applied to any additional contributions that result from a change in your pay.

Reallocating Future Contributions

You may change the investment allocation of your future contributions anytime, in increments of 1%. To request a change, call the Progress Energy 401(k) Service Center at Fidelity, at 1-866-401K-NOW (1-866-401-5669) or access the Fidelity NetBenefits web site at www.401k.com. Changes you make generally take effect the pay period following your request.

Transferring Current Fund Balances

Your Contributions
Subject to the excessive trading restrictions pertaining to "roundtrip" transactions described below, you have unlimited access to transferring your contributions and associated earnings. Requests made by 4 p.m. any business day will generally be reflected in your account the following business day, or as soon thereafter as is reasonably practicable. Your transfer will be valued at the close of market prices on the day the request is made. (If your request is made after 4 p.m. any business day or on a non-business day, the transfer will be valued at the close of the first business day following.)

To transfer funds (or diversify your investments), call the Progress Energy 401(k) Service Center at Fidelity, at 1-866-401K-NOW (1-866-401-5669) or access the Fidelity NetBenefits web site at www.401k.com. A request to transfer funds made by 4 p.m. on any business day will generally be reflected in your account by 8 a.m. the following business day, or as soon thereafter as is reasonably practicable.

Although generally there is no limit to the number of fund transfers you may request, you are limited in the number of "roundtrip" transactions you may make within a fund. A roundtrip transaction occurs when you elect a fund option and then exchange out of that option within 30 days. In general, you are limited to one roundtrip transaction within any 90-day period. The details of this policy are available from the Progress Energy 401(k) Service Center at Fidelity at 1-866-401K-NOW (1-866-401-5669).

Changing Your Dividend Election

You may elect to receive dividends from the vested portion of your Progress Energy Common Stock fund in cash or have them automatically reinvested in the fund. To change your election for future dividends, log on to the Fidelity NetBenefits web site at www.401k.com or call the Progress Energy 401(k) Service Center at Fidelity, at 1-866-401K-NOW (1-866-401-5669). Changes must be received at least three days before the quarterly dividend record date (see **Investing Your Contributions**).

Types of Accounts

Within each participant's Plan account, Fidelity maintains separate account types, one for each type of source contribution that is received on behalf of the participant. The amount you have in each account type or source is shown on your quarterly account statement**.** The sources are described below:

Employee 401(k) Account contains your employee before-tax contributions, plus related investment gains or losses.

Employee Regular Account contains your employee after-tax contributions, plus related investment gains or losses.

Roth Contribution Account contains your employee Roth Contributions to the Plan, plus related investment gains or losses.

Company Match Account contains Company Matching Allocations made on your behalf, based on the portion of your before-tax and after-tax contributions eligible for the match, plus related investment gains or losses. The Company Matching Allocations in this account were added to your account on or before December 31, 2009.

Safe Harbor Match Account contains Company Matching Allocations made on your behalf after January 1, 2010, based on the portion of your before-tax, after-tax and/or Roth Contributions eligible for the match, plus related investment gains or losses.

Catch-Up Account contains any before-tax Catch-Up Contributions, if eligible, plus related investment gains or losses.

Roth Catch-Up Account contains any after-tax Roth Catch-Up Contributions, if eligible, plus related investment gains or losses.

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, Fidelity Investments. 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 the Prospectus that accompanies this Summary Plan Description, HRI-SUBS-00030), increasing the number of shares you own. For example, although dividends are never guaranteed, some mutual fund may seek to provide a regular 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 funds.

By mail—approximately 3 weeks after the end of each calendar 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.401k.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 the special Progress Energy service line at Fidelity at 1-866-401K-NOW (1-866-401-5669). All you need is your Social Security number, your personal identification number (PIN), and a touch-tone telephone. The automated network is available 24 hours a day, 7 days a week, from anywhere in the United States. If you want to speak to a Fidelity representative, call during business hours (Monday through Friday, from 8:30 a.m. to 9:00 p.m. Eastern Time), and you can connect with an associate to ask questions or discuss the risks and rewards of the Plan's investment funds. While Fidelity associates cannot provide 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.

Online or by Phone ...
Whether you log on through www.401k.com or use the automated 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.
- Change the way future contributions are invested.
- Elect, or make changes to a current deferral election (before-tax, after-tax and/or Roth contributions, before-tax and/or Roth Catch-Up contributions).
- Process changes in your dividend election (receive in cash or reinvest) from the Progress Energy Stock Fund.

- Obtain or model loans.
- Obtain regular or non-hardship withdrawals and qualified reservist distributions by calling the Progress Energy 401(k) Service Center at Fidelity. Please refer to page 20 for more information on withdrawals.
- Obtain forms to request a Hardship withdrawal. Please refer to page 20 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 a final distribution (if terminated or retired).

You may elect to stop receiving quarterly statements by mail and view your current and past two statements by logging on to www.401k.com.

Distributions from the Plan

This section describes your options for receiving benefits under the 401(k) Plan. The Plan is designed primarily for your long-term investment needs and is structured to provide for distributions at and after retirement. However, under certain circumstances, you may withdraw funds before retirement. In addition, you generally may withdraw funds following termination of employment. If you were a participant under a plan that was merged into this plan, you may have special distribution provisions applicable to your prior employer account balances. Please contact the Plan Administrator for additional details.

In general, distributions from the Plan are taxable income in the year you receive the money unless you elect a tax-free rollover to another qualified retirement plan or to an Individual Retirement Account (IRA). In addition, if you receive a distribution (not a loan) from your account before you reach age 59½, with certain exceptions, you generally must pay an additional 10% penalty on the entire taxable amount of that distribution. Please see "**Tax Effects of Plan Participation**" for additional important information about the tax treatment of your Plan benefits. In addition, the Plan Administrator will provide you with the "Special Tax Notice Regarding Plan Payments" when you first request a distribution from the Plan. Withdrawals and other distributions are valued at close-of-market prices on the business day in which your transaction is processed.

While You Are Still Employed

You may withdraw certain funds and request loans while you are employed by Progress Energy. Your withdrawal will be applied to your account based on the fund withdrawal hierarchy prescribed in the Plan. The withdrawal will be taken on a pro-rata basis across the investment funds in which you have a balance. You cannot direct that your withdrawal be applied to a specific fund. If you have questions about the hierarchy, you should contact the Progress Energy 401(k) Service Center at Fidelity, at 1-866-401K-NOW (1-866-401-5669) before initiating a withdrawal.

Withdrawals of Before-tax Contributions

In general, withdrawals of before-tax contributions (including before-tax Catch-Up contributions) and their earnings are not permitted while you are still employed. However, under the circumstances outlined below, the IRS will allow limited early withdrawals of before-tax contributions:

Hardship Withdrawal

Prior to age 59½ or the performance of qualified military service for 31 days, 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 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). Documentation detailing the reason for any and all hardship withdrawals **must** be provided; it will be reviewed by a Fidelity associate for approval or denial. A hardship withdrawal can be requested for one or more of the following reasons *only*:

- Your 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 only in the event of a hurricane or other extraordinary circumstance as determined by IRS regulations; and/or
- Payments necessary for funeral or burial expenses for a deceased parent, spouse, child or dependent as defined by the Internal Revenue Code.

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.

If you qualify and take a hardship withdrawal, you must stop all contributions to all company-sponsored Plans for six months before you may make before-tax, after-tax, Roth, or before-tax or Roth Catch-Up Contributions to the Plan again. In addition, during those six months, no Company Matching Contributions will be made on your behalf to the Plan.

To receive a hardship withdrawal, you must contact the Progress Energy 401(k) Service Center at Fidelity, at 1-866-401K-NOW (1-866-401-5669) and provide documentation to support your financial need. In addition, you must demonstrate that you have no funds reasonably available from another source, including Plan loan(s) and in-service withdrawals. You may withdraw only as much as you need to cover the hardship and applicable federal and state taxes. Only one hardship withdrawal is permitted in a calendar year.

Investment earnings that have accumulated on your before-tax contributions after December 31, 1988, may not be withdrawn under the hardship provisions. Investment earnings include dividends, interest and appreciation on securities.

Non-Hardship Withdrawals

Once you reach age 59½ or if you have been performing qualified military service for 31 days, you may withdraw your before-tax contributions (including before-tax Catch-Up contributions) without having to satisfy the criteria for a hardship withdrawal. You can call the Progress Energy 401(k) Service Center at Fidelity, at 1-866-401K-NOW (1-866-401-5669) or log on to www.401k.com to initiate your withdrawal. Four withdrawals are allowed each year, at any time during the year. You will have to pay ordinary income tax on withdrawals for the year in which you receive them unless you elect a tax-free rollover to another qualified retirement plan or to an Individual Retirement Account (IRA). If you take a withdrawal on account of performance of qualified military service, your contributions to the Plan will automatically be suspended for six months following your receipt of the withdrawal.

Qualified Reservist Distributions

If you are a member of a military reserve component and are ordered or called to active duty after September 11, 2001 for a period of at least 180 days or for an indefinite period, you may elect to withdraw all or any part of your before-tax contributions (including before-tax Catch-Up contributions) without having to satisfy the criteria for a hardship withdrawal. You can call the Progress Energy 401(k) Service Center at Fidelity, at 1-866-401K-NOW (1-866-401-5669) or log on to www.401k.com to initiate your withdrawal at any time from the date you receive your order or call to active duty to the date your active duty ends. You will have to pay ordinary income tax on any withdrawals for the year in which you receive them unless you elect a tax-free rollover to another qualified retirement plan or to an Individual Retirement Account (IRA). Any qualified reservist distribution you receive from the Plan will not be subject to an additional 10% excise tax, even if you receive the distribution before you reach age 59½.

Withdrawals of After-tax Contributions, Rollover Contributions and Company Matching Allocations

Your Company Matching Allocations are initially invested in the Progress Energy Stock Fund each pay period. You may move your Company Matching Allocations into the other Plan investment options at any time. However, you may not receive in-service distributions of Company Matching Allocations made before January 1, 2010, until they are "mature." You may withdraw your after-tax contributions, rollover contributions (excluding rollovers of Roth contributions) and earnings on your after-tax and rollover contributions any time. Company Matching Allocations made prior to January 1, 2010, that have been in your account for at least two full calendar years, i.e., "mature" funds, may also be withdrawn any time. Company Matching Allocations made on and after January 1, 2010, may be withdrawn once you reach age 59 ½ or have been performing qualified military service for at least 31 days. Company Matching Allocations and any earnings on company shares are taxable at the time they are paid to you unless you elect a tax-free rollover to another qualified retirement plan or to an Individual Retirement Account (IRA) (see "**Tax Effects of Plan Participation**"). Your after-tax contribution withdrawals are not taxable because you have already paid tax on them. However, when you withdraw the contributions that you made on an after-tax basis, the IRS will consider a portion of the withdrawal to be the earnings you have realized on those contributions. That portion will be taxable and may be subject to the additional 10% excise tax. Your rollover contribution withdrawals are taxed based on whether they were originally before-tax or after-tax contributions.

Withdrawals of Roth Contributions

You may withdraw your Roth contributions and earnings on your Roth contributions once you reach age 59 ½, have been performing qualified military service for at least 31 days, or become disabled. If you withdraw your Roth contributions after the period of five consecutive Plan years that begins with the first day of the first Plan year in which you make a Roth contribution and after you have reached age 59½, become disabled or died, then that withdrawal will constitute a qualified Roth distribution. Your Roth contributions and their earnings will not be subject to federal and, in most cases, state income taxes when you receive a qualified Roth distribution.

Note to Progress Energy Florida, Inc. (non-bargaining) and Progress Fuels Corporation (corporate) employees: If you were a participant in the Savings Plan for Employees of Florida Progress Corporation, the company match you received under that plan may be withdrawn, subject to the restrictions on withdrawal described below. Those funds were "mapped" to corresponding investment funds in this Plan and transferred on January 1, 2002.

Withdrawal Restrictions

The Plan restrictions that affect withdrawals are listed below:

- Because vested accounts serve as collateral for Plan loans, the amount you have available for withdrawal will be reduced by your outstanding loan balance.
- You are limited to one hardship withdrawal per calendar year.
- Hardship withdrawals and withdrawals on account of performance of qualified military service (other than qualified reservist distributions) require that you be suspended from making any contributions to the Plan for six months following the withdrawal.
- You are limited to a total of four withdrawals per calendar year for reasons other than hardship and qualified reservist distributions.
- You may not withdraw Company Matching Allocations made prior to January 1, 2010, before they have matured. Safe Harbor Match (Company Matching Allocations made after December 31, 2009) cannot be withdrawn prior to termination or retirement unless you have reached age 59 ½ or have been performing qualified military service for at least 31 days.
- No portion of your FPC Participant Prior Pension Account may be withdrawn while you are still employed.

Receiving Your Withdrawal

If a withdrawal includes the distribution of Progress Energy Common Stock, you may elect to have the shares converted to cash before distribution. Withdrawals from the other funds are automatically converted to cash before being distributed.

Requesting a Withdrawal

To initiate a withdrawal, you should call the Progress Energy 401(k) Service Center at Fidelity, at 1-866-401K-NOW (1-866-401-5669) or you may log on to the Fidelity NetBenefits web site at (www.401k.com).

- You must demonstrate financial need in order to make a hardship withdrawal. Documentation will be required.
- All Plan contributions will be suspended for six months in the case of a hardship withdrawal or an in-service withdrawal on account of the performance of qualified military service.

Loans

The loan feature of the Plan allows you to borrow from your own account while you continue to defer taxes on the amount of the loan. The loan amount will be taken on a pro-rata basis across the investment funds in which you have a balance. You cannot direct that your loan be taken from a specific fund. Generally, the tax deferral is preserved as long as you repay the loan and interest as they are due.

Loan Amount
The minimum loan available under the Plan is $500. The maximum loan permitted is 50% of your vested account balance or $50,000, whichever is smaller. Loans are available in increments of $100 only. If you had a loan any time during the previous 12 months, there may be additional restrictions on the maximum amount allowed.

Loan Interest
The interest rate for loans is determined periodically by the Plan Administrative Committee, and is set at a reasonable amount in accordance with IRS regulations. The interest rate is based on the prime rate on the last day of the previous calendar quarter. When you apply for a loan, you will be told the rate in effect at that time, and this interest rate will apply for the entire term of the loan.

Loan Repayment
Loans from the Plan must generally be repaid within five years. You may have up to two outstanding loans at any time.

If you are actively employed, loan repayment is made through automatic payroll deduction of after-tax dollars. For information on repayments under other conditions—such as when you are on a leave of absence—you should contact the Progress Energy 401(k) Service Center at Fidelity, at 1-866-401K-NOW (1-866-401-5669).

If you are an active employee you may prepay the total amount of your loan (plus outstanding interest) at any time. Contact the Progress Energy 401(k) Service Center at Fidelity, at 1-866-401K-NOW (1-866-401-5669) for a loan payoff amount.

If you terminate your employment, you may repay the outstanding loan amount (plus outstanding interest) or continue to pay on the loan for the remaining loan period. You should contact the Progress Energy 401(k) Service Center at Fidelity, at 1-866-401K-NOW (1-866-401-5669) for details on both options. If you default on your loan payments, the full value of the unpaid balance may be reported as taxable ordinary income for the year in which you default.

Requesting a Loan

To apply for a loan, log on to www.40lk.com, or call the Progress Energy 401(k) Service Center at Fidelity, at 1-866-401K-NOW (1-866-401-5669).

You may request loans from your account at any time, unless you have terminated your employment or currently have two outstanding loans.

If you have questions about the loan application process, you may call the Progress Energy 401(k) Service Center at Fidelity at 1-866-401K-NOW (1-866-401-5669) to be connected with a Service Center representative.

Keep in mind:

- You may have only two outstanding loans at any time.
- The total amount of your outstanding loans is limited to 50% of your vested account balance or $50,000, whichever is less.
- Partial prepayments of loans are not permitted.

When You Terminate Employment

Benefits under the Plan are generally paid as lump-sum distributions or installment payments once you are no longer employed by an affiliated company of Progress Energy. Your choices for distribution depend on the value of your account balance, and your age.

Outstanding loan balances may be paid in full when your employment terminates, or you may pay off your loan balances over the remaining term of the loans (see **Loan Repayment**).

When you request a distribution, you will receive the vested portion of your account, which will include:

- Your contributions (before-tax, after-tax, and Roth, as well as before-tax and Roth Catch-Up)
- Your rollover contributions
- Vested Company Matching Allocations to your account
- Investment earnings on your contributions and vested Company Matching Allocations

If your account balance is valued at $1,000 or less as of your termination date, you will receive an automatic distribution of your entire account balance as a lump-sum paid directly to you or you can request a rollover to an Individual Retirement Account (IRA). Subject to the minimum distribution requirements (described below), if your account balance is more than $1,000, you may elect a lump-sum distribution of your entire account balance, elect a rollover of your account balance to an Individual Retirement Account (IRA), or elect an installment option. You may also choose to leave your account balance in the Plan, in which case you may request up to four periodic withdrawals from your account each year. You will have to pay ordinary income tax on withdrawals of before-tax contributions and earnings, earnings on after-tax contributions and earnings on Roth contributions (if the withdrawal is not a qualified Roth distribution) for the year in which you receive them unless you elect a tax-free rollover to another qualified retirement plan or to an Individual Retirement Account (IRA).

Lump Sum Distributions
Total Lump-Sum Distribution – A single payment of your entire vested account balance. (This is the automatic form of payment if your balance is $1,000 or less.)

Partial Lump-Sum Distribution – Up to four payments per year of a portion of your vested account balance.

Installment Options
<u>Fixed Dollar Installment</u> – A payment from your account made at pre-determined, regular monthly intervals based upon a dollar amount you select. For example, you could request $500 to be paid from your account each month. With this choice you would know exactly how much you would receive, but the duration of the payments would depend on your account's investment performance.

<u>Declining Balance Installment</u> – A payment from your account made at pre-determined, regular monthly intervals that depletes your account over a specified number of years. For example, you could ask that your account balance be paid out over a period of 10 years. To stay on the schedule, your monthly payments would fluctuate somewhat, based on your account's investment performance.

A Note on Installment Payments
The period over which installment payments are to be made cannot exceed the life expectancy of the last survivor of the participant and his or her beneficiary. If a participant dies while installments are being made, installments shall continue to the named beneficiary or to the participant's surviving spouse or estate if there is no named beneficiary. Installments will automatically be paid in cash with one exception: a participant may elect to receive all or a portion of his or her Progress Energy Common Stock Fund in whole shares of company stock with any fractional shares paid in cash. If a participant or beneficiary elects payment in shares and also elects installment payments, distributions in the form of shares will be made at the end of each year during the installment period.

Note: Once you begin receiving an Installment Option payment, you may elect to receive a partial withdrawal while still receiving installment payments or you may suspend your installments and request the lump-sum option. You will not be permitted to change the amount or the timing of your installment payments.

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 balance 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 installment payments will continue to your beneficiary.

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.

Your beneficiary, whether a spouse or non-spouse, 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.

Required Minimum Distribution

If you have not received your full account balance by the April 1 following the year you reach age 70½ or, if later, April 1 of the year following the calendar year in which you terminate employment (provided you are not a 5% owner of the company or any subsidiary), an annual “Required Minimum Distribution” [RMD] will be paid to you in accordance with applicable laws and regulations. The amount of the RMD will be recalculated each year, and will depend on your account balance, the age of your beneficiary and your age at the time the calculation is made.

Applying for Benefits

In order to receive benefits under the Plan, you should first contact the Progress Energy Employee Service Center at Fidelity, at 1-866-401K-NOW (1-800-401-5669). You may be required to fill out the form(s) listed below. These forms are also available on the Progress Energy Intranet.

Reference Forms—Progress Energy Intranet

FRM-SUBS-00015	401(k) Plan Rollover Contribution Application
FRM-SUBS-00341	401(k) Plan Beneficiary Designation Form

The Claims and Appeal Procedures described in this document will be followed if your request for benefits is denied.

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**" 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 Matching 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.
- 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 under the Plan of Roth contributions generally will be taxable to you only to the extent that they are not qualified Roth distributions (see **Withdrawals of Roth Contributions** above).
- 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), if any, applicable to common stock purchased with after-tax employee contributions or 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 QDRO, dividend distributions or qualified reservist 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.

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 the Progress Energy 401(k) Service Center at Fidelity at 1-866-401K-NOW (1-866-401-5669).

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 401(k) Plan benefits to Secretary, Administrative Committee, 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 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.

Other Plan Information

Fund Prospectuses

You may request the following additional information about the Progress Energy Stock Fund and other Plan funds through the Progress Energy 401(k) Service Center at Fidelity, at 1-866-401K-NOW (1-866-401-5669) or the Fidelity NetBenefits web site at www.401k.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

Under this Plan, you may not pledge any part of it as security for a loan or otherwise transfer rights (except that the securities and/or cash in your account may be paid to your spouse or designated beneficiary in the event of your death.)

No part of your benefits may be claimed by a creditor for the payment of a debt you may have incurred. Part or all of your benefits may be claimed, however, to pay child support, alimony, or as part of a marital property settlement as ordered by a qualified domestic relations order (QDRO).

QDROs

A QDRO is a court decree, made under a state domestic relations law, regarding the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent. It creates or recognizes the existence of another person's (or "alternate payee's") right to receive all or a portion of the benefits payable under the Plan, provided that it satisfies the requirements of Section 414(p) of the Internal Revenue Code and Section 206(d) of ERISA.

If a QDRO 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 QDRO. 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

Progress Energy, Inc. intends to continue the Plan indefinitely, but by action of its Board of Directors, Executive Committee of the Board of Directors or their delegates, reserves the right to modify, suspend, amend or terminate the Plan at any time in its sole discretion. Also, benefits are provided at the company's discretion and do not create a contract of employment.

If the Plan is terminated, all participant contributions and Company Matching 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 receiving 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.

Plan Administration

The Plan is a defined contribution plan subject to ERISA and the Code. Because the Plan is a defined contribution plan, the Plan benefits are not, and cannot be, insured by the Pension Benefit Guaranty Corporation under Title IV of ERISA. The Plan operates and maintains records on a January 1 to December 31 calendar-year basis.

Plan Identification

The official name of the Plan is the Progress Energy 401(k) Savings & Stock Ownership Plan. The Plan number is 002.

The Employer Identification Number (EIN) assigned by the federal government to identify Progress Energy, Inc. as the Plan sponsor is: 56-2155481

The Plan Sponsor's address is:

Progress Energy, Inc.
P.O. Box 1551
Raleigh, North Carolina 27602-1551
1-800-546-5705

Plan Trustee

All contributions under the Plan are made to a trust established exclusively for the payment of Plan benefits and certain administrative expenses. State Street Bank and Trust Company, N.A., (the "Trustee") is Trustee for the Plan. The Plan Trustee's address is:

State Street Bank and Trust Company, N.A.
One Enterprise Drive SWB-A
North Quincy, MA 02171

Plan Administrator

Progress Energy Service Company, LLC is the Plan Administrator. The Chief Executive Officer of Progress Energy, Inc. has the sole authority to appoint the Administrative Committee to administer the Plan. The Committee has authority to establish rules and regulations for the administration of the Plan and the transaction of its business, the authority being reserved, however, by the Board of Directors to make such changes in such rules and regulations as it may deem advisable. The Committee, as named fiduciary, also has the authority to select the investment options to be available under the Plan.

The members of the Committee receive no compensation from the assets of the Plan for their services in connection with the Plan. The company may pay the compensation of the Trustee and outside service providers, or the Trustee and outside service providers may be compensated from assets of the Plan. The Trustee may be removed by the company upon 30-days' written notice to the Trustee.

The Plan Administrator has the duty and the discretionary authority to interpret the terms of the Plan and to decide any dispute that may arise regarding the rights of any individual under the Plan. This includes the discretionary authority to make determinations as to eligibility for participation and benefits under the Plan. Any interpretation or decision by the Plan Administrator shall apply uniformly to all persons similarly situated and shall be binding and conclusive upon all interested persons. Any interpretation or decision of the Plan Administrator shall only be set aside if the Plan Administrator is found to have acted unreasonably in interpreting or construing the terms of the Plan.

The Plan Administrator is:

Progress Energy Service Company, LLC
Administrative Committee
P. O. Box 1551
Raleigh, North Carolina 27602-1511
1-800-546-5705

If you need to contact the Plan Administrator, call or write, and refer to the identification numbers shown above.

Agent for Service of Legal Process

The Plan's agent for service of legal process is:

Vice President—Human Resources
Progress Energy, Inc.
P. O. Box 1551
Raleigh, North Carolina 27602-1511
1-800-546-5705

Legal process also may be served upon any officer of Progress Energy, Inc., on the Trustee of the Plan, State Street Bank and Trust Company, N.A., or on the Plan Administrator.

Your Rights Under ERISA

As a participant in the Progress Energy 401(k) Savings & Stock Ownership Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974, as amended (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, all documents governing the Plan, including 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 copies of the latest annual report (Form 5500 Series) and an updated summary plan description. The Plan 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 your 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 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 that 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 Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court once you have exhausted your administrative remedies under the Plan. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in a 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 to be frivolous.

Assistance With Your Questions

If you have questions about your Plan, you should contact the Plan Administrator. 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, NW, 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.

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) Savings & Stock Ownership Plan, you should take the time to read this notice carefully.

Your Rights Concerning Employer Securities
Beginning January 1, 2007, the 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 Plan. This right extends to all the company stock held under the Plan. You may contact the Employee Service Center for specific information regarding this 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 Plan are available to you if you decide to diversify out of company stock, (with the exception of the CVO Investment Fund).

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 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 401(k) Service Center at Fidelity at 1-866-401-5669.