OFFER TO PURCHASE STATEMENT

PROGRESS ENERGY, INC.

Offer to Purchase for Cash Any and All Outstanding Contingent Value Obligations Issued by Progress Energy, Inc. (CUSIP No. 743263 AA3)

Progress Energy, Inc. ("Progress Energy," "we," "us" or "our") is offering to purchase for cash, upon the terms and subject to the conditions set forth in this Offer to Purchase (as it may be amended or supplemented from time to time, this "Offer to Purchase") and the accompanying Letter of Transmittal (the "Letter of Transmittal" and together with this Offer to Purchase, the "Offer"), all of its outstanding contingent value obligations ("CVOs") at a purchase price of \$0.75 per CVO (the "Purchase Price"), less applicable withholding taxes and without interest. The CVOs were issued in connection with the acquisition of Florida Progress Corporation by Progress Energy on November 30, 2000.

This Offer and the right to withdraw previously tendered CVOs will expire at 12:00 midnight, New York City time, on February 15, 2012, unless extended by us (such date, as it may be extended, the "Expiration Date"). However, if you validly tender your CVOs by 5:00 p.m., New York City time, on December 15, 2011 (the "Initial Acceptance Date") and have not withdrawn them, we may accept them for purchase, at which time your right to withdraw will expire.

We recently settled certain litigation concerning interpretation of provisions of the documents governing the CVOs that had been filed by holders of a significant percentage of CVOs. As part of the settlement (the "Settlement"), we purchased all of such holders' CVOs at a negotiated price of \$0.75 per CVO, and we are providing all Holders of CVOs the opportunity to sell their CVOs at the same purchase price per CVO that was paid in the Settlement.

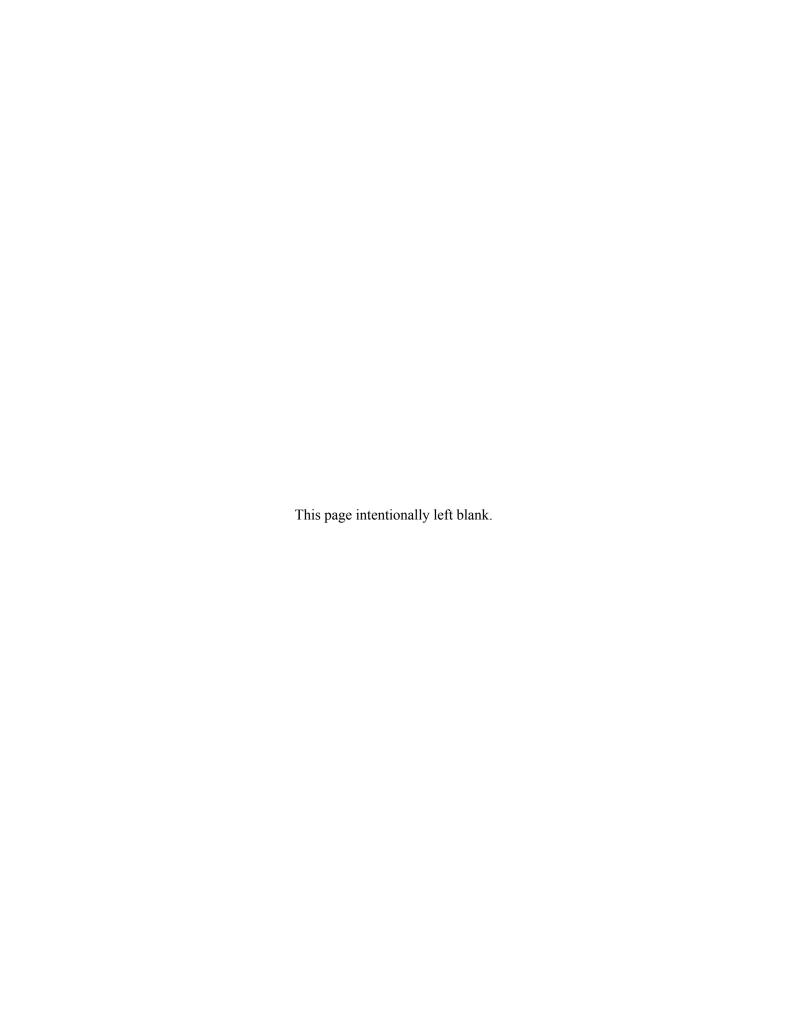
The Offer and our obligation to purchase and pay for the CVOs validly tendered and not validly withdrawn is not conditioned upon any minimum number of CVOs being tendered. The Offer is, however, subject to certain other conditions discussed herein. See "The Offer—Conditions to the Offer."

As of October 26, 2011, there were approximately 98.6 million CVOs outstanding, approximately 31.7% of which were held by Progress Energy. CVOs held by Progress Energy will not be tendered in the Offer, and CVOs acquired by Progress Energy upon completion of the Offer will remain outstanding. CVOs that are not validly tendered and purchased in the Offer also will remain outstanding. Therefore, we do not expect the number of outstanding CVOs to change. See "The Offer—Untendered or Unpurchased CVOs."

See "The Offer—Certain Significant Considerations" for a discussion of certain factors that should be considered in evaluating the Offer.

Any questions or requests for assistance or additional copies of this Offer to Purchase, the Letter of Transmittal or any other documents may be directed to Phoenix Advisory Partners (in this capacity, the "Information Agent") at the address and telephone numbers set forth on the back cover of this Offer to Purchase. Beneficial owners also may contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

None of Progress Energy, the Information Agent or American Stock Transfer & Trust Company, LLC, the depositary for the Offer (the "Depositary"), makes any recommendation in connection with the Offer.



IMPORTANT INFORMATION

This Offer to Purchase and the accompanying Letter of Transmittal contain important information that should be read before any decision is made with respect to the Offer. Our Board of Directors has approved the Offer. However, none of Progress Energy, the Information Agent or the Depositary makes any recommendation as to whether or not you should tender CVOs pursuant to the Offer. Each holder of CVOs (each, a "Holder" and together, the "Holders") must make its own decision as to whether to tender its CVOs.

Holders are not required to tender their CVOs, but Holders who elect to tender their CVOs must tender all CVOs that they own. The Offer and our obligation to purchase and pay for the CVOs validly tendered and not validly withdrawn pursuant to this Offer to Purchase is not conditioned upon any minimum number of CVOs being tendered. The Offer is, however, subject to certain other conditions set forth herein being satisfied or waived by Progress Energy on or prior to the Initial Acceptance Date and Expiration Date, respectively. See "The Offer—Conditions to the Offer."

Subject to applicable law, Progress Energy reserves the right, in our sole discretion, at any time or from time to time to (1) waive any condition to the Offer and accept all CVOs previously tendered pursuant to the Offer, (2) extend the Expiration Date and retain all CVOs tendered pursuant to the Offer, subject, however, to the withdrawal rights of Holders as described under "The Offer—Withdrawal of Tenders; Absence of Appraisal Rights," (3) amend the terms of the Offer in any respect, and (4) terminate the Offer and not accept for purchase any CVOs upon failure of any of the conditions to the Offer. Any amendment to the Offer will apply to all CVOs tendered pursuant to the Offer, unless such CVOs have already been purchased following the Initial Acceptance Date.

Upon the terms and subject to the conditions of this Offer (including, if the Offer is extended or amended, the terms and conditions of the extension or amendment) and applicable law, promptly following each of the Initial Acceptance Date and the Expiration Date, Progress Energy will purchase, by accepting for purchase, and will pay for all CVOs validly tendered and not validly withdrawn pursuant to this Offer as of such Initial Acceptance Date and Expiration Date, respectively, which payment will be made by the deposit, on the respective date of acceptance of the CVOs tendered pursuant to this Offer, by or on behalf of Progress Energy of immediately available (same-day) funds with the Depositary.

In the event that the Offer is withdrawn or otherwise not completed, the Purchase Price will not be paid or become payable to Holders who have validly tendered their CVOs in connection with the Offer and whose CVOs have not already been purchased. In any such event, any CVOs previously tendered in the Offer and not accepted for purchase will be promptly returned to the tendering Holder.

A Holder who holds CVOs in such Holder's own name must complete and sign a Letter of Transmittal according to its instructions, and deliver it, or a facsimile thereof, together with any required signature guarantees, certificates for such Holder's CVOs, if applicable, and any other documents required by the Letter of Transmittal, to the Depositary. A Holder who is a beneficial owner whose CVOs are held by a brokerage or custodian account through a custodian or nominee, including a broker, dealer, bank or trust company, must contact its custodian or nominee if the beneficial owner desires to tender its CVOs. Participants in the Depository Trust Company ("DTC") must transmit their acceptance to DTC through DTC's procedures for book-entry transfer. For further information, you may contact the Information Agent at the telephone numbers set forth on the back cover of this Offer to Purchase or consult your custodian or nominee for assistance. See "Procedures for Tendering CVOs" and the accompanying Letter of Transmittal.

Tenders of CVOs made on or prior to the Initial Acceptance Date may be validly withdrawn at any time on or prior to the Initial Acceptance Date. If, for any reason, Progress Energy does not accept CVOs for purchase following the Initial Acceptance Date, then such tendered CVOs may continue to be validly withdrawn at any time on or prior to the Expiration Date. Tenders of CVOs made after the Initial Acceptance Date and on or prior to the Expiration Date may be validly withdrawn at any time on or prior to the Expiration Date. Thereafter, such tenders are irrevocable. See "The Offer—Withdrawal of Tenders; Absence of Appraisal Rights."

See "The Offer—Certain Significant Considerations" and "Certain United States Federal Income Tax Considerations" for discussions of certain factors that should be considered in evaluating the Offer.

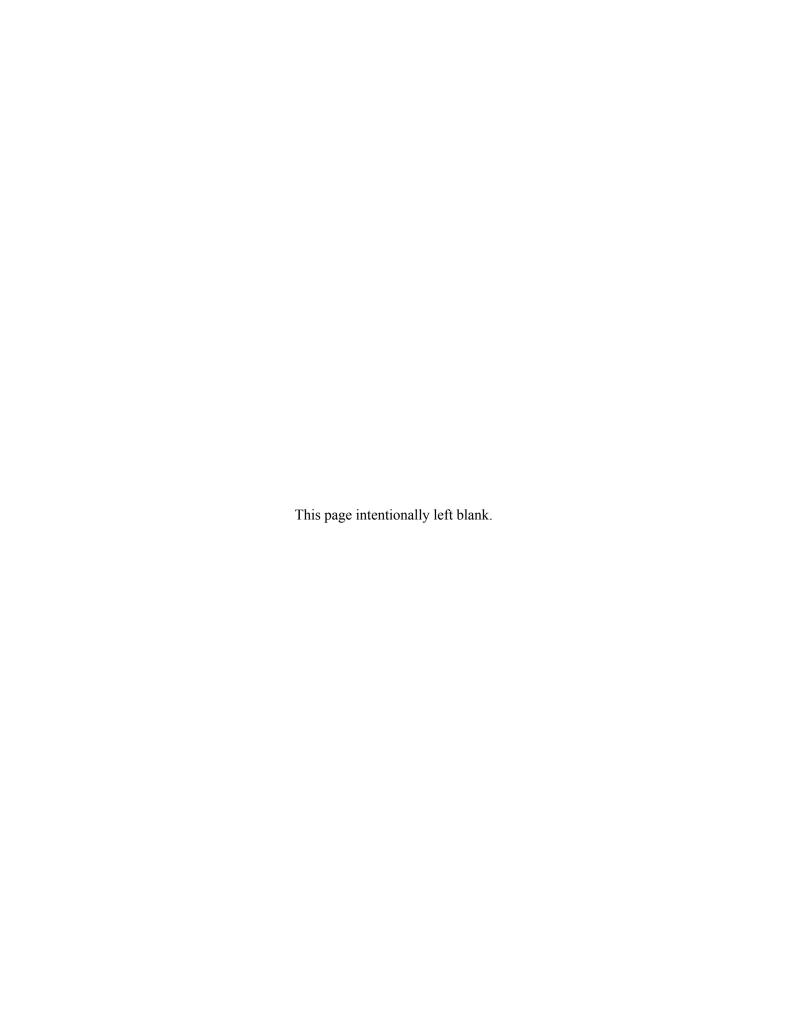
This Offer to Purchase does not constitute an offer to purchase securities in any jurisdiction in which, or to or from any person to or from whom, it is unlawful to make an offer under applicable securities or blue sky laws. The delivery of this Offer to Purchase shall not under any circumstances create any implication that the information contained in this Offer to Purchase is correct as of any time subsequent to the date of this Offer to Purchase or that there has been no change in the information set forth herein or in the affairs of Progress Energy or any of our subsidiaries or affiliates since the date of this Offer to Purchase.

At any time and from time to time before, during and after the Expiration Date or earlier termination of the Offer, Progress Energy or our affiliates may acquire CVOs, to the extent permitted by law, through open market purchases, privately negotiated transactions, tender offers, exchange offers or otherwise, upon such terms and at such prices as Progress Energy or any of our affiliates may determine, which may be more or less than the Purchase Price and could be for cash or other consideration. There can be no assurance as to which, if any, of these alternatives (or combinations thereof) Progress Energy or any of our affiliates might pursue.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Offer to Purchase and, if given or made, that information or representation may not be relied upon as having been authorized by Progress Energy.

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SUMMARY

The following summary is provided solely for the convenience of the Holders. We urge you to read the remainder of this Offer to Purchase and the accompanying Letter of Transmittal carefully because the information below is not complete. Additional important information is contained in the remainder of this document and in the accompanying Letter of Transmittal. Each of the capitalized terms used in this Summary and not defined herein has the meaning set forth elsewhere in this Offer to Purchase.

What securities are the subject of the Offer?

Progress Energy is offering to purchase any and all outstanding contingent value obligations issued by Progress Energy, upon the terms and subject to the conditions set forth in this Offer to Purchase and the accompanying Letter of Transmittal.

The CVOs were issued in connection with the acquisition of Florida Progress Corporation by Progress Energy on November 30, 2000. As of October 26, 2011, there were approximately 98.6 million CVOs outstanding, approximately 31.7% of which were held by Progress Energy. CVOs held by Progress Energy will not be tendered in the Offer.

What is the Purchase Price for the CVOs?

The Purchase Price for the CVOs is \$0.75 per CVO, less any applicable withholding taxes and without interest.

What will be the form of payment of the Purchase Price?

If your CVOs are purchased in the Offer, you will be paid the Purchase Price in cash, less any applicable withholding taxes and without interest, for all the CVOs that we purchase from you pursuant to the Offer. We will pay the Purchase Price promptly following each of the Initial Acceptance Date and the Expiration Date to Holders whose CVOs are validly tendered as of the applicable date and accepted for purchase. If your CVOs are accepted for purchase in the Offer, you will cease to be entitled to any economic or other rights available to a Holder of CVOs with respect to the CVOs accepted for purchase, including but not limited to the right to receive payments from Progress Energy or the trustee of the CVOs pursuant to the documents governing the CVOs.

How will Progress Energy pay for the tendered CVOs?

We will use our available cash on hand and/or amounts drawn from our existing credit facilities to purchase CVOs tendered in the Offer and to pay all related expenses. See "The Offer—Sources and Amount of Funds."

When does the Offer expire?

You may tender your CVOs until 12:00 midnight, New York City time, on February 15, 2012 pursuant to this Offer to Purchase, unless we choose to extend the Offer. If a brokerage or custodian account through a custodian or nominee, including a broker, dealer, bank or trust company, holds your CVOs, it is likely to have an earlier deadline for you to act to instruct it to tender your CVOs pursuant to the Offer on your behalf. We urge you to contact your custodian or nominee to determine its deadline.

Can I tender my CVOs and receive payment before the Offer expires?

Yes. If your CVOs are validly tendered and not validly withdrawn by 5:00 p.m., New York City time, on December 15, 2011, we will accept your CVOs for purchase and pay the Purchase Price, less any applicable withholding taxes and without interest, with respect to such CVOs promptly following such Initial Acceptance Date, assuming the conditions to the Offer have been satisfied or waived at that time. If a brokerage or custodian account through a custodian or nominee, including a broker, dealer, bank or trust company, holds your CVOs, it is likely to have an earlier deadline for you to act to instruct it to tender your CVOs pursuant to the Offer on your behalf. We urge you to contact your custodian or nominee to determine its deadline.

Can the Offer be extended, amended or terminated?

Yes. We may choose to extend the Offer at any time and for any reason, subject to applicable law. If we extend the Offer, we will delay the acceptance of any CVOs not already purchased and that have been validly tendered and not validly withdrawn. We may also amend the Offer in our sole discretion at any time or terminate the Offer under certain circumstances. See "The Offer—Expiration Date; Extension, Termination, Amendments."

Why is Progress Energy offering to purchase my CVOs?

We recently settled certain litigation concerning interpretation of provisions of the documents governing the CVOs that had been filed by holders of a significant percentage of CVOs. As part of the Settlement, we purchased all of such holders' CVOs at a negotiated price of \$0.75 per CVO, and we are providing all Holders of CVOs the opportunity to sell their CVOs at the same purchase price per CVO that was paid in the Settlement.

Are there any conditions to the Offer?

Yes. Our obligation to purchase and pay for CVOs validly tendered and not validly withdrawn is subject to certain conditions being satisfied or waived on or prior to the Initial Acceptance Date and the Expiration Date, respectively. The Offer is not, however, conditioned upon any minimum number of CVOs being tendered. See "The Offer—Conditions to the Offer."

How do I tender my CVOs?

If you want to tender your CVOs, you must do one of the following before 5:00 p.m., New York City time, on December 15, 2011 (for CVOs to be accepted for purchase following the Initial Acceptance Date) or 12:00 midnight, New York City time, on February 15, 2012 (for CVOs to be accepted following the Expiration Date), or any later time and date to which the Offer may be extended or earlier, as your custodian or nominee may require:

- if you hold certificates in your own name, complete and sign a Letter of Transmittal according to its instructions and deliver it, or a facsimile thereof, together with any required signature guarantees, the certificates for your CVOs, and any other documents required by the Letter of Transmittal, to the Depositary;
- if your CVOs are registered directly in your own name in book-entry form, complete and sign a Letter of Transmittal according to its instructions and deliver it, or a facsimile thereof, together with any required signature guarantees and any other documents required by the Letter of Transmittal, to the Depositary;

- if your CVOs are registered in the name of a custodian or nominee, including a broker, dealer, bank or trust company, contact the custodian or nominee and have the custodian or nominee tender your CVOs for you; or
- if you are a DTC participant, you must transmit your acceptance to DTC through DTC's procedures for book-entry transfer.

If you are a participant in certain retirement plans sponsored by Progress Energy you may have a CVO Fund account. The CVO Fund is a closed Investment Fund and the investment of accounts in the CVO Fund are expressed in units. An independent fiduciary has been appointed to monitor and maintain the CVO Fund and the independent fiduciary has the authority to make investment decisions for the CVO Fund. If you are a Progress Energy retirement plan participant with a CVO Fund account, notice of the Offer will be provided to the independent fiduciary for the CVO Fund. If you are a Progress Energy retirement plan participant with a CVO Fund account, then solely with respect to this CVO Fund account it is not necessary that you respond to the Offer (with respect to your CVO Fund account) except to the extent that you are informed by the independent fiduciary that your response is necessary. You should contact the Plan Administrator of your retirement plan or the independent fiduciary of the CVO Fund if you have any questions. You may tender any CVOs you hold outside your CVO Fund account by complying with the steps described herein.

If you want to tender your CVOs, but:

- your certificates for your CVOs are not immediately available or cannot be delivered to the Depositary by the Expiration Date;
- you cannot comply with the procedure for book-entry transfer through a DTC participant by the Expiration Date; or
- your other required documents cannot be delivered to the Depositary by the Expiration Date;

then you can still tender your CVOs if you comply with the guaranteed delivery procedure described under "Procedures for Tendering CVOs—Proper Tender of CVOs—Guaranteed Delivery."

If you want to tender your CVOs, but your certificates have been lost, mutilated, destroyed or stolen, you should promptly contact the Depositary, at (800) 937-5449 (toll-free), for instructions. See "Procedures for Tendering CVOs—Proper Tender of CVOs—Lost Certificates."

You may contact the Information Agent or your custodian or nominee for assistance. The contact information for the Information Agent appears on the back cover of this Offer to Purchase. See "Procedures for Tendering CVOs" and the instructions to the Letter of Transmittal.

Do I have to tender all of my CVOs to participate in the Offer?

Yes. If you elect to tender your CVOs, you must tender all CVOs that you own. No partial tenders will be accepted. If you attempt to tender only a portion of your CVOs, we will reject your tender as defective.

Can I change my mind after I have tendered CVOs in the Offer?

Yes. Tenders of CVOs made on or prior to the Initial Acceptance Date may be validly withdrawn at any time on or prior to the Initial Acceptance Date. If, for any reason, we do not accept CVOs for purchase following the Initial Acceptance Date, then such tendered CVOs may continue to be validly withdrawn at any time on or prior to the Expiration Date. Tenders of CVOs made after the Initial Acceptance Date and on or prior to the Expiration Date may be validly withdrawn at any time on or prior to the Expiration Date. Thereafter, such tenders are irrevocable. If you withdraw your tendered CVOs, you must withdraw all of such CVOs. To withdraw your tendered CVOs, please follow the instructions under "The Offer—Withdrawal of Tenders; Absence of Appraisal Rights."

When will I receive payment for my tendered CVOs?

We will pay for CVOs validly tendered and not validly withdrawn in cash promptly following each of the Initial Acceptance Date and the Expiration Date to Holders whose CVOs are validly tendered as of the applicable date and accepted for purchase. If the Offer is extended, we will pay for CVOs validly tendered and not validly withdrawn promptly following expiration of the extended Offer. The timing of our acceptance for purchase of CVOs tendered pursuant to the Offer is subject to Rule 14e-1(c) of the Securities Exchange Act, as amended (the "Exchange Act"), which requires that we pay the consideration offered or return the CVOs deposited by or on behalf of Holders promptly after the termination or withdrawal of the Offer.

Will I have to pay a brokerage commission if I tender my CVOs?

If you are the record owner of your CVOs and you tender your CVOs directly to the Depositary, you will not have to pay brokerage fees or similar expenses. If you own your CVOs through a custodian or nominee, including a broker, dealer, bank or trust company, and that person tenders your CVOs on your behalf, that person may charge you a fee for doing so. You should consult with your custodian or nominee to determine whether any transaction costs are applicable.

What are the United States federal income tax consequences if my CVOs are purchased pursuant to the Offer?

A portion of the Purchase Price you receive for your CVOs pursuant to the Offer will be taxable interest income. You may also recognize a capital gain or loss on the sale of your CVOs pursuant to the Offer. See "Certain United States Federal Income Tax Considerations." You should consult your own tax advisor about the tax consequences of the Offer as they apply to your individual circumstances.

What will Progress Energy do with the CVOs purchased?

Progress Energy will continue to hold any CVOs we acquire pursuant to the Offer. Because we do not intend to cancel CVOs purchased in the Offer, such purchased CVOs will continue to be deemed outstanding under the documents governing the CVOs, except for certain limited purposes. See "The Offer—Untendered or Unpurchased CVOs."

What happens to my CVOs if I do not tender them?

Holders who choose not to tender their CVOs or who retain an interest in CVOs as a result of a defective tender or otherwise will continue to hold CVOs. Because we do not intend to cancel CVOs purchased in the Offer, such purchased CVOs will continue to be deemed outstanding under the documents governing the CVOs. Therefore, the remaining Holders' proportional rights to receive

contingent payments represented by their CVOs will remain unchanged. The Offer may reduce the number of Holders, which may result in lower or higher prices and/or reduced liquidity in the trading market for the CVOs following completion of the Offer. See "The Offer" under the subheadings "— Untendered or Unpurchased CVOs" and "—Certain Significant Considerations."

You should obtain current information with respect to the market prices for the CVOs before making your decision to tender. See "Market and Trading Information."

Is Progress Energy making any recommendation about the Offer?

Our Board of Directors has approved the Offer. However, none of Progress Energy, the Information Agent or the Depositary makes any recommendation as to whether or not you should tender your CVOs pursuant to this Offer to Purchase. Holders should determine whether or not to tender their CVOs pursuant to this Offer to Purchase based upon, among other things, their own assessment of the current market value of the CVOs, liquidity needs and investment objectives.

Who can I talk to if I have questions or need more information?

Any questions or requests for assistance or additional copies of this Offer to Purchase or the accompanying Letter of Transmittal may be directed to Phoenix Advisory Partners, as Information Agent, at (877) 478-5038 or (212) 493-3910 (banks and brokers). You may also contact your custodian or nominee for assistance concerning the Offer.

CERTAIN INFORMATION ABOUT THE COMPANY

We are a leading integrated energy provider with our primary base of operations in the southeastern United States. We were incorporated in August 1999 under the laws of the State of North Carolina. We operate primarily through regulated utility businesses, which include:

- Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc., a regulated public utility founded in 1908, which is engaged in the generation, transmission, distribution and sale of electricity within an approximately 34,000 square mile service area in portions of North Carolina and South Carolina; and
- Florida Power Corporation d/b/a Progress Energy Florida, Inc., a regulated public utility founded in 1899, which is engaged in the generation, transmission, distribution and sale of electricity within an approximately 20,000 square mile service area in portions of Florida.

On January 8, 2011, Duke Energy Corporation ("Duke Energy") and Progress Energy entered into an Agreement and Plan of Merger (the "Merger Agreement"). Pursuant to the Merger Agreement, Progress Energy will be acquired by Duke Energy in a stock-for-stock transaction (the "Merger") and continue as a wholly owned subsidiary of Duke Energy. Consummation of the Merger is subject to customary conditions and certain termination rights for each company.

Our principal executive offices are located at 410 South Wilmington Street, Raleigh, North Carolina 27601. Our telephone number is (919) 546-6111.

THE OFFER

General

We are offering to purchase for cash, upon the terms and subject to the conditions set forth in this Offer to Purchase and the accompanying Letter of Transmittal any and all of our outstanding CVOs at a Purchase Price of \$0.75 per CVO, less any applicable withholding taxes and without interest. As of October 26, 2011, there were approximately 98.6 million CVOs outstanding, approximately 31.7% of which were held by Progress Energy. CVOs held by Progress Energy will not be tendered in the Offer, and CVOs acquired by Progress Energy pursuant to the Offer will remain outstanding. The CUSIP number for the CVOs is 743263 AA3.

Holders are not required to tender their CVOs, but Holders who elect to tender their CVOs must tender all CVOs that they own. The Offer and our obligation to purchase and pay for the CVOs validly tendered and not validly withdrawn is not conditioned upon any minimum number of CVOs being tendered. The Offer is, however, conditioned upon the satisfaction or waiver, on or prior to the Initial Acceptance Date and the Expiration Date, respectively, of certain conditions set forth herein under "— Conditions to the Offer." If the conditions to the Offer are not satisfied or waived by Progress Energy on or prior to the Initial Acceptance Date, we will not be obligated to accept for purchase or to pay for any validly tendered CVOs at that time and they will remain subject to the Offer unless validly withdrawn prior to the Expiration Date. If the conditions to the Offer are not satisfied or waived by Progress Energy on or prior to the Expiration Date, we will not be obligated to accept for purchase or to pay for any CVOs not already purchased and any CVOs that were previously tendered and not already purchased pursuant to this Offer to Purchase will be promptly returned to the tendering Holders. Under Exchange Act Rule 14e-1(c), we must pay the consideration offered or return the CVOs tendered promptly after termination or withdrawal of the Offer.

Upon the terms and subject to the conditions of this Offer (including, if the Offer is extended or amended, the terms and conditions of the extension or amendment) and applicable law, promptly following each of the Initial Acceptance Date and the Expiration Date, Progress Energy will purchase, by accepting for purchase, and will pay for all CVOs validly tendered and not validly withdrawn pursuant to this Offer as of such Initial Acceptance Date and Expiration Date, respectively, which payment will be made by the deposit, on the respective date of acceptance of the CVOs tendered pursuant to this Offer, by or on behalf of Progress Energy of immediately available (same-day) funds with the Depositary. Holders whose CVOs are accepted for purchase will cease to be entitled to any economic or other rights available to a Holder of CVOs with respect to the CVOs accepted for purchase, including but not limited to the right to receive payments from Progress Energy or the trustee of the CVOs pursuant to the documents governing the CVOs.

Our Board of Directors has approved the Offer. However, none of Progress Energy, the Information Agent or the Depositary makes any recommendation as to whether or not you should tender your CVOs pursuant to this Offer to Purchase. Holders should determine whether or not to tender their CVOs pursuant to this Offer to Purchase based upon, among other things, their own assessment of the current market value of the CVOs, liquidity needs and investment objectives.

Purpose of the Offer

The principal purpose of the Offer is to provide all Holders of CVOs the opportunity to sell their CVOs at the same purchase price per CVO as we recently paid to holders of a significant percentage of CVOs in connection with the settlement of certain litigation brought by such holders against Progress Energy concerning interpretation of provisions of the documents governing the CVOs. As part of the Settlement, we purchased all of such holders' CVOs at a negotiated price of \$0.75 per CVO.

Sources and Amount of Funds

Assuming that we purchase all outstanding CVOs not held by Progress Energy pursuant to this Offer to Purchase at a purchase price of \$0.75 per CVO, our maximum expenditure for the Offer will be approximately \$50.5 million. We expect to fund the purchase of CVOs tendered in the Offer and payment of related fees and expenses from cash on hand and/or amounts drawn from our existing credit facilities.

At any time and from time to time before, during and after the Expiration Date or earlier termination of the Offer, we or our affiliates may acquire any CVOs, to the extent permitted by law, through open market purchases, privately negotiated transactions, tender offers, exchange offers or otherwise, upon such terms and at such prices as we or any of our affiliates may determine, which may be more or less than the price to be paid pursuant to the Offer and could be for cash or other consideration. There can be no assurance as to which, if any, of these alternatives (or combinations thereof) we or our affiliates might pursue.

Withdrawal of Tenders; Absence of Appraisal Rights

Tenders of CVOs made on or prior to the Initial Acceptance Date may be validly withdrawn at any time on or prior to the Initial Acceptance Date. If, for any reason, Progress Energy does not accept CVOs for purchase following the Initial Acceptance Date, then such tendered CVOs may continue to be validly withdrawn at any time on or prior to the Expiration Date. Tenders of CVOs made after the Initial Acceptance Date and on or prior to the Expiration Date may be validly withdrawn at any time on or prior to the Expiration Date. Thereafter, such tenders are irrevocable.

If you withdraw your tendered CVOs, you must withdraw all of such CVOs. For a withdrawal of CVOs to be valid, you must comply fully with the withdrawal procedures set forth below.

To withdraw CVOs, you must deliver a written notice of withdrawal with the required information to the Depositary during the time period in which you still have the right to withdraw the CVOs. If you tendered your CVOs through a custodian or nominee, including a broker, dealer, bank or trust company, and wish to withdraw your CVOs, you will need to make arrangements for withdrawal with your custodian or nominee. If you tendered your CVOs through a custodian or nominee, your ability to withdraw the tender of your CVOs will depend upon the terms of the arrangements you have made with your custodian or nominee and, if your custodian or nominee is not the DTC participant tendering the CVOs, the arrangements between your custodian or nominee and such DTC participant, including any arrangements involving intermediaries between your custodian or nominee and such DTC participant.

Holders who wish to exercise their right of withdrawal with respect to the Offer must give written notice of withdrawal delivered by mail, hand delivery or facsimile transmission (or transmit a notice of withdrawal through DTC's procedures for book-entry transfer in the case of DTC participants), which notice must be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase on or prior to the Initial Acceptance Date or the Expiration Date, as applicable. In order to be

valid, a notice of withdrawal must (1) specify the name of the person who tendered the CVOs to be withdrawn, (2) state the name in which the CVOs are registered (or, if tendered by book-entry transfer through a DTC participant, the name of the DTC participant whose name appears on the security position listing as the owner of such CVOs), if different from that of the person who tendered the CVOs to be withdrawn, (3) contain the description of and number of CVOs to be withdrawn, and (4) be signed by the Holder of such CVOs in the same manner as the original signature on the Letter of Transmittal by which such CVOs were tendered (including any required signature guarantees), if any, or be accompanied by a properly completed irrevocable proxy that authorized such person to effect such revocation on behalf of such Holder. If the CVOs to be withdrawn have been delivered or otherwise identified to the Depositary, a signed notice of withdrawal is effective immediately upon written or facsimile notice of withdrawal even if physical release is not yet effected. Any CVOs validly withdrawn will be deemed to be not validly tendered for purposes of the Offer.

Withdrawal of CVOs can only be accomplished in accordance with the foregoing procedures.

CVOs validly withdrawn may thereafter be re-tendered at any time on or prior to the Initial Acceptance Date or Expiration Date, as applicable, by following the procedures described under "Procedures for Tendering CVOs."

All questions as to the form and validity (including time of receipt) of any notice of withdrawal of a tender will be determined by Progress Energy, in its sole discretion, which determination shall be final and binding. None of Progress Energy, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defect or irregularity in any notice of withdrawal of a tender or incur any liability for failure to give any such notification.

There are no appraisal or other similar statutory rights available to Holders of CVOs in connection with the Offer.

Conditions to the Offer

The Offer and our obligation to purchase and pay for the CVOs validly tendered and not validly withdrawn is not conditioned upon any minimum number of CVOs being validly tendered and not withdrawn. However, our obligation to purchase and pay for the CVOs validly tendered and not validly withdrawn is conditioned on the conditions set forth below being satisfied or waived by Progress Energy on or prior to the Initial Acceptance Date and the Expiration Date, respectively. If the conditions to the Offer are not satisfied or waived by Progress Energy on or prior to the Expiration Date, we will not be obligated to accept for purchase or to pay for any CVOs not already purchased and any CVOs that were previously tendered and not already purchased pursuant to this Offer to Purchase will be promptly returned to the tendering Holders.

Subject to applicable law and notwithstanding any other provision of the Offer, Progress Energy shall not be required to accept for purchase, or to pay for, any tendered CVOs if any of the following have occurred on or prior to the Initial Acceptance Date or the Expiration Date, respectively:

(1) there shall have been instituted, threatened or be pending any action or proceeding before or by any court, governmental, regulatory or administrative agency or instrumentality, or by any other person, in connection with the Offer, that in our reasonable judgment, would or would reasonably be expected to prohibit, prevent, restrict or delay consummation of the Offer;

- (2) an order, statute, rule, regulation, executive order, stay, decree, judgment or injunction shall have been proposed, enacted, entered, issued, promulgated, enforced or deemed applicable by any court or governmental, regulatory or administrative agency or instrumentality that, in our reasonable judgment, would or would reasonably be expected to prohibit, prevent, restrict or delay consummation of the Offer; or
- (3) we shall have learned that any change or changes have occurred or are threatened in the business, financial condition, properties, assets, income, operations or prospects of Progress Energy, our subsidiaries or affiliates that, in our reasonable judgment, would or would reasonably be expected to prohibit, prevent, restrict or delay consummation of the Offer.

We will make a determination as to whether the conditions to the Offer that are to be satisfied as of the scheduled Initial Acceptance Date and Expiration Date, respectively, have been satisfied. The conditions to the Offer are for the sole benefit of and may be asserted by Progress Energy, in our sole discretion, regardless of the circumstances giving rise to such conditions, or may be waived (subject to applicable law) by Progress Energy, in whole or in part, at any time or from time to time on or prior to the Initial Acceptance Date or the Expiration Date, in our sole discretion. The failure by Progress Energy at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right, and each such right shall be deemed an ongoing right, which may be asserted at any time and from time to time on or prior to the Initial Acceptance Date or Expiration Date, respectively. Any determination by Progress Energy concerning the events described in this section shall be final and binding upon all persons.

Expiration Date; Extension, Termination, Amendments

The Offer will expire at 12:00 midnight, New York City time, on February 15, 2012 unless extended by Progress Energy.

Subject to applicable law, we reserve the right to extend the Offer on a daily basis or for such period or periods as we may determine in our sole discretion from time to time by giving written or oral notice to the Depositary and by making a public announcement (in the form of a press release) prior to 9:00 a.m., New York City time, on the next business day following the previously scheduled Expiration Date. During any extension of the Offer, CVOs previously tendered pursuant to the Offer (and not validly withdrawn) that have not already been purchased will remain subject to the Offer and may, subject to the terms and conditions of the Offer, be accepted for purchase by Progress Energy, subject to withdrawal rights of Holders of the CVOs. For purposes of the Offer, the term "business day" means any day other than a Saturday, Sunday or other day on which banking institutions in the State of New York are permitted or obligated by law to be closed.

Subject to applicable law, we reserve the right, in our sole discretion, at any time or from time to time to (1) waive any condition to the Offer and accept all CVOs previously tendered pursuant to the Offer, (2) extend the Expiration Date and retain all CVOs tendered pursuant to the Offer, subject, however, to the withdrawal rights of Holders of CVOs as described under "—Withdrawal of Tenders; Absence of Appraisal Rights," (3) amend the terms of the Offer in any respect, and (4) terminate the Offer and not accept for purchase any CVOs upon failure of any of the conditions to the Offer.

Any amendment to the Offer will apply to all CVOs that are tendered pursuant to the Offer regardless of when such CVOs were tendered, unless such CVOs have already been purchased following the Initial Acceptance Date. If we make a material change in the terms of the Offer, we will disseminate additional tender offer materials and will extend the Offer, in each case, to the extent required by law.

We reserve the right, in our sole discretion, to terminate the Offer if any conditions applicable to the Offer set out under "—Conditions to the Offer" have not been satisfied or waived by Progress Energy on or prior to the Initial Acceptance Date or the Expiration Date. Any such termination will be followed promptly by a public announcement (in the form of a press release) of the termination, and we will also promptly inform the Depositary of our decision to terminate the Offer.

In the event that the Offer is withdrawn or otherwise not completed, the Purchase Price will not be paid or become payable to Holders who have validly tendered their CVOs pursuant to the Offer, unless such CVOs have already been accepted for purchase. In any such event, any CVOs previously tendered and not accepted for purchase pursuant to the Offer will be returned to the tendering Holder in accordance with Exchange Act Rule 14e-1(c), which requires that we pay the consideration offered or return the CVOs deposited by or on behalf of the Holders of CVOs promptly after the termination or withdrawal of the Offer.

Untendered or Unpurchased CVOs

Holders who choose not to tender their CVOs or who retain an interest in CVOs as a result of a defective tender or otherwise will continue to hold CVOs. Because we do not intend to cancel CVOs purchased in the Offer, the CVOs we purchase in the Offer will continue to be deemed outstanding under the documents governing the CVOs. Therefore, the remaining Holders' proportional rights to receive contingent payments represented by their CVOs will remain unchanged. CVOs held by Progress Energy or any other obligor upon the CVOs or affiliates of Progress Energy or of such other obligor will not be deemed outstanding for the limited purposes of (1) determining whether or not the Holders of a requisite amount of the outstanding CVOs have given any request, demand, authorization, direction, notice, consent or waiver under the documents governing the CVOs or (2) whether or not a quorum is present at a meeting of Holders.

The Offer may reduce the number of Holders, which may result in lower or higher prices and/or reduced liquidity in the trading market for the CVOs following completion of the Offer. For more information, see "—Certain Significant Considerations."

Certain Significant Considerations

The following considerations, in addition to other information described elsewhere herein, should be carefully considered by each Holder before deciding whether to tender CVOs pursuant to the Offer.

Limited Trading Market. To the extent that CVOs are traded, prices for the CVOs may fluctuate greatly, depending on the trading volume and the balance between buy and sell orders. In addition, quotations for securities that are not widely traded, such as the CVOs, may differ from actual trading prices and should be viewed as approximations. Holders of CVOs are urged to contact their brokers to obtain the best available information as to current market prices. To the extent that CVOs are tendered and accepted in the Offer, the trading market for the CVOs would become more limited. A security with a smaller number of units available for trading (a smaller "float") may command a lower price than would a comparable security with a greater float. Therefore, the market price for CVOs not tendered or not purchased may be affected adversely to the extent that the number of CVOs tendered pursuant to the Offer reduces the float. The reduced float also may tend to make the trading price more volatile. Holders of CVOs not tendered or not purchased may attempt to obtain quotations for their CVOs from their brokers; however, there can be no assurance that any trading market will exist for the CVOs following consummation of the Offer. The extent of the market for the CVOs following consummation of the Offer will depend upon, among other things, the number of outstanding CVOs not held by Progress Energy

after the Offer, the number of Holders of such CVOs remaining at such time (other than Progress Energy), and the interest in maintaining a market in the CVOs on the part of securities firms and other factors. We do not intend to list the CVOs on any national securities exchange or create or sustain a market for any CVOs that remain outstanding following consummation of the Offer.

Purchase Price. The Purchase Price being offered to Holders of CVOs is based solely on the price per CVO paid to former holders of a significant percentage of CVOs in connection with the Settlement. The Purchase Price being offered to Holders for their CVOs does not reflect any independent evaluation of our CVOs. We have not obtained or requested, and do not intend to obtain or request, a fairness opinion from any banking or other firm as to the fairness of the Purchase Price or the relative values of our CVOs and the related Purchase Price. Holders tendering their CVOs may or may not receive more than or as much value as if they had chosen to keep their CVOs.

Repurchases of CVOs. At any time and from time to time before, during and after the Expiration Date or earlier termination of the Offer, we or our affiliates may acquire CVOs, to the extent permitted by applicable law, through open market purchases, privately negotiated transactions, tender offers, exchange offers or otherwise, upon such terms and at such prices as we or any of our affiliates may determine, which may be more or less than the Purchase Price and could be for cash or other consideration. There can be no assurance as to which, if any, of these alternatives (or combinations thereof) we or our affiliates might pursue.

Contingent Payments Dependent on Tax Credit Utilization. Each CVO represents the right of the Holder to receive contingent payments, based on the net after-tax cash flow generated by certain synthetic fuels plants. The ability of Holders to receive payments under the CVOs depends partially upon the ability of Progress Energy to utilize tax credits resulting from the operation of these plants. The timing of the utilization of the tax credits is dependent upon our regular federal income tax liability and our alternative minimum income tax liability, which can be impacted by a number of factors. The timing of the utilization can also be impacted by certain substantial changes in ownership, including our proposed Merger with Duke Energy.

Additionally, in the normal course of business, our tax returns are audited by the IRS. Payments on the CVOs will not generally be made to Holders until audit matters are resolved for the years of the tax returns in which the tax credits giving rise to the payments are utilized. We cannot predict when the tax credits previously generated will be utilized or when the audit matters for the tax return years in which tax credits are utilized will be resolved. Based on past tax audit experience, our tax audits could take many years to resolve.

Subordination. Holders' rights to receive contingent payments on their CVOs are junior to all of Progress Energy's senior indebtedness, which could include all future indebtedness for money borrowed. Because the CVOs rank behind our senior indebtedness, we must make all payments then due on our senior indebtedness before making any payments on the CVOs. As a result, upon any distribution to the creditors of Progress Energy in a bankruptcy, liquidation or reorganization or similar proceeding relating to Progress Energy or our property, the holders of our senior debt will be entitled to be paid in full in cash before any payment may be made to the trustee or the Holders with respect to the CVOs. In addition, the documents governing the CVOs do not limit the aggregate amount of senior indebtedness that we may incur.

Pursuant to the documents governing the CVOs, each CVO represents the right to receive a *pro rata* share of contingent payments which are to be made by Progress Energy or the trustee on our behalf. The ability of the trustee to pay amounts on the CVOs is dependent solely upon Progress Energy making payments on the CVOs as and when required under the documents governing the CVOs. There is a

covenant by Progress Energy of good faith and fair dealing with respect to Holders. No joint venture, partnership or other fiduciary relationship is created by the CVOs or the documents governing the CVOs.

Acceptance of CVOs for Purchase; Payment for CVOs

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms of any such extension or amendment) and subject to applicable law, Holders of CVOs that validly tender their CVOs (and do not validly withdraw such tenders) pursuant to the Offer on or prior to the Initial Acceptance Date or the Expiration Date, respectively, will be eligible to receive the Purchase Price, less applicable withholding taxes and without interest. Upon the terms and subject to the conditions of the Offer, we will purchase, by accepting for purchase following each of the Initial Acceptance Date and the Expiration Date, and will pay for such CVOs on the date on which such CVOs are accepted for purchase. We reserve the right, in our sole discretion, to delay acceptance for purchase of CVOs tendered pursuant to the Offer or the payment for CVOs accepted for purchase pursuant to the Offer (subject to Exchange Act Rule 14e-1(c), which requires that we pay the consideration offered or return the CVOs deposited by or on behalf of the Holders of CVOs promptly after the termination or withdrawal of the Offer) if any of the conditions set forth under "-Conditions to the Offer" shall not have been satisfied or waived by Progress Energy on or prior to the Initial Acceptance Date or the Expiration Date, respectively, or in order to comply in whole or in part with any applicable law, in either case, by oral or written notice of such delay to the Depositary. In all cases, payment for CVOs accepted for purchase pursuant to the Offer will be made only after timely receipt by the Depositary of either certificates representing the tendered CVOs or, in the case of tendered CVOs held in book-entry form, a book-entry confirmation of such transfer and either a properly completed and duly executed Letter of Transmittal relating to the CVOs (or a facsimile thereof) or an Agent's Message (as defined below) and any other documents required by the Letter of Transmittal.

For purposes of the Offer, we will be deemed to have accepted for purchase CVOs validly tendered and not validly withdrawn (or defectively tendered CVOs with respect to which we have waived such defect) if, as and when we give oral or written notice thereof to the Depositary. We will pay for CVOs accepted for purchase pursuant to the Offer by depositing such payment, on the date of acceptance of CVOs tendered pursuant to the Offer, in immediately available (same-day) funds, with the Depositary, which will act as agent for the tendering Holders for the purpose of receiving the Purchase Price and transmitting the same to such Holders. We will notify the Depositary of which CVOs tendered on or prior to the Initial Acceptance Date and the Expiration Date, respectively, are accepted for purchase and payment pursuant to the Offer. Upon the terms and subject to the conditions of the Offer, delivery of the Purchase Price, less applicable withholding taxes and without interest, will be made by the Depositary promptly after receipt of funds for the payment of such CVOs by the Depositary.

If, for any reason, acceptance for purchase of or payment for validly tendered CVOs pursuant to the Offer is delayed, or we are unable to accept for purchase or to pay for validly tendered CVOs pursuant to the Offer, then the Depositary may, nevertheless, on behalf of Progress Energy, retain tendered CVOs, without prejudice to our rights described under "—Expiration Date; Extension, Termination, Amendments," "—Conditions to the Offer" and "—Withdrawal of Tenders; Absence of Appraisal Rights," but subject to Exchange Act Rule 14e-1(c), which requires that we pay the consideration offered or return the CVOs tendered promptly after the termination or withdrawal of the Offer. The Depositary will return certificates for unpurchased CVOs as promptly as practicable after the expiration or termination of the Offer or the proper withdrawal of CVOs, as applicable, or, in the case of tendered CVOs held in book-entry form, the Depositary will credit the CVOs to the appropriate account maintained by the tendering Holder, in each case without expense to the Holder.

No alternative, conditional or contingent tenders will be accepted. Tendering Holders waive all right to receive notice of acceptance of their CVOs for purchase. Holders whose CVOs are accepted for purchase will cease to be entitled to any economic or other rights available to a Holder of CVOs with respect to the CVOs accepted for purchase, including but not limited to the right to receive payments from Progress Energy or the trustee of the CVOs pursuant to the documents governing the CVOs.

No brokerage commissions are payable by Holders to the Information Agent or the Depositary. If CVOs are held through a custodian or nominee, Holders should contact their custodian or nominee to determine whether any transaction costs are applicable. We will pay all other charges and expenses in connection with the Offer. See "Information Agent and Depositary."

PROCEDURES FOR TENDERING CVOS

Proper Tender of CVOs

The tender of CVOs on or before the Expiration Date (or, for CVOs to be accepted for purchase following the Initial Acceptance Date, the Initial Acceptance Date) pursuant to the Offer and in accordance with the procedures described below and in the accompanying Letter of Transmittal will be deemed to constitute the delivery of a valid tender with respect to the CVOs tendered.

For a Holder to tender CVOs validly pursuant to the Offer, (1) a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantee, or (in the case of a book-entry transfer of CVOs through a DTC participant) an Agent's Message in lieu of a Letter of Transmittal, and any other required documents, must be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase or (2) the tendering Holder must comply with the guaranteed delivery procedures set forth below. In addition, either (a) certificates for tendered CVOs must be received by the Depositary at such addresses or (b) CVOs must be transferred pursuant to the procedures for book-entry transfer (and a confirmation of such transfer must be received by the Depositary).

Holders who need assistance with respect to the procedures for participating in the Offer should contact the Information Agent, the contact details for which are on the back cover of this Offer to Purchase.

By taking actions described herein with respect to the Offer, you and your custodian or nominee (if any) will be deemed to have agreed (1) to the terms and conditions of the Offer as set forth in this Offer to Purchase and the accompanying Letter of Transmittal and (2) that Progress Energy and the Depositary may enforce the terms and conditions against you and your custodian or nominee (if any).

If you are tendering CVOs that you hold in your own name, you must send your Letter of Transmittal (including certificates for the CVOs, if applicable) and any other documents to the Depositary and not to Progress Energy or the Information Agent. If CVOs are held in book-entry form through a custodian or nominee, the Letter of Transmittal or Agent's Message and any other documents required by the Letter of Transmittal should be sent by a DTC participant to the Depositary and not to Progress Energy or the Information Agent. Any documents delivered to Progress Energy or the Information Agent will not be forwarded to the Depositary and therefore will not be deemed to be properly tendered.

Method of Delivery. The method of delivery of CVOs and other documents to the Depositary is at the election and risk of the tendering Holder. If such delivery is by mail, it is recommended that Holders of the CVOs use registered mail, validly insured, with return receipt requested. CVOs will be deemed delivered only when actually received by the Depositary (including, in the case of a book-entry transfer, by book-entry confirmation). In all cases, sufficient time should be allowed to ensure timely delivery.

Guaranteed Delivery. Holders whose certificates for CVOs are not immediately available or who cannot deliver their certificates and all other required documents to the Depositary or complete the procedures for book-entry transfer on or prior to the Expiration Date may tender their CVOs by properly completing and duly executing a Notice of Guaranteed Delivery. All such tenders must comply with the following procedures: (1) all tenders must be made by or through a recognized participant in the Securities Transfer Agents Medallion Program, the NYSE Medallion Signature Program or the Stock

Exchanges Medallion Program (each, an "Eligible Institution"), (2) a properly completed and duly executed Notice of Guaranteed Delivery, in the form provided by us, must be received by the Depositary on or prior to the Expiration Date and (3) the certificates for all tendered CVOs in proper form for transfer (or a book-entry confirmation with respect to all such CVOs), together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees, or, in the case of a book-entry transfer through a DTC participant, an Agent's Message, and any other required documents, must be received by the Depositary, in each case within three business days after the date of execution of the Notice of Guaranteed Delivery.

A Notice of Guaranteed Delivery must be delivered to the Depositary by hand, overnight courier, facsimile transmission or mail before the Expiration Date and must include a guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery.

Lost Certificates. If the CVO certificates that a Holder wants to surrender have been lost, mutilated, destroyed or stolen, the Holder should promptly contact the Depositary, at (800) 937-5449 (toll free), for instructions on obtaining an affidavit of loss. The affidavit of loss must be submitted together with the Letter of Transmittal in order for the Holder to receive payment for CVOs that are tendered and accepted for payment. If a Holder tenders 1,000 or more CVOs by means of an affidavit of loss, such Holder may also be required post a bond (in such sum as Progress Energy and/or the Depositary may reasonably direct) to provide indemnity against any claim that may be made on account of the alleged loss of such certificate.

Representations, Warranties, and Undertakings; Progress Energy's Acceptance Constitutes an Agreement. By tendering your CVOs, you shall be deemed to agree to, acknowledge, represent, warrant, and undertake to us on each of (1) the Initial Acceptance Date or the Expiration Date, as applicable to your CVOs, and (2) the closing of the Offer, the agreements, acknowledgements, representations, warranties and undertakings set forth in the accompanying Letter of Transmittal.

You and your custodian or nominee (if any) by delivering, or causing to be delivered, the CVOs and the completed Agent's Message or the Letter of Transmittal to the Depositary are representing and warranting that you, as owner of the CVOs, have represented, warranted, and agreed to each of the agreements, acknowledgements, representations, warranties, and undertakings contained in the accompanying Letter of Transmittal. If you are unable to give these agreements, acknowledgements, representations, warranties, and undertakings, you should contact the Depositary immediately.

Our acceptance for purchase of CVOs tendered in the Offer will constitute a binding agreement between you and Progress Energy upon the terms and conditions of the Offer described in this Offer to Purchase and the accompanying Letter of Transmittal.

Tender of CVOs Held Through DTC

If you own shares of CVOs in book-entry form through DTC and wish to tender them in the Offer, you should follow the instructions below. If you hold your CVOs in a brokerage or custodian account through a custodian or nominee, including a broker, dealer, bank or trust company, you will need to timely instruct your custodian or nominee to tender your CVOs on or prior to either the Initial Acceptance Date or the Expiration Date in the manner described below and upon the terms and conditions set forth in this Offer to Purchase and the accompanying Letter of Transmittal. Please refer to any materials forwarded to you by your custodian or nominee to determine how you can timely instruct your custodian or nominee to take these actions.

If you hold CVOs through a custodian or nominee, you are urged to consult your custodian or nominee as it is likely that, for administrative reasons, it has an earlier deadline than the Initial Acceptance Date and the Expiration Date (as applicable) for you to instruct it to tender your CVOs on your behalf in order for it to comply with the tender requirements on a timely basis.

Procedures. If CVOs are held through a custodian or nominee, in order to participate in the Offer, you must instruct your custodian or nominee to participate on your behalf. Your custodian or nominee should arrange for the DTC participant holding the CVOs through its DTC account to tender those CVOs in the Offer to the Depositary.

If CVOs are held through a custodian or nominee, Holders should contact their custodian or nominee to determine whether any transaction costs are applicable.

The Depositary will seek to establish an account with respect to the CVOs at DTC for the purpose of the Offer within two business days after the date of this Offer to Purchase. Any financial institution that is a DTC Participant may make book-entry delivery of CVOs by causing DTC to transfer such CVOs into the Depositary's account in accordance with DTC's procedures for such transfer.

The Role of a DTC Participant. A DTC participant may tender CVOs only by taking the following actions on or prior to the Initial Acceptance Date or the Expiration Date:

- delivering CVOs by means of book-entry transfer into the Depositary's applicable DTC account; and
- (a) transmitting a message to the Depositary through the facilities of DTC, specifying that the relevant participant has received and agrees to be bound by the terms and conditions set forth in this Offer to Purchase and the accompanying Letter of Transmittal (an "Agent's Message") or (b) delivering a properly completed Letter of Transmittal.

CVOs being tendered in the Offer and either (1) the completed DTC participant's Agent's Message or (2) the completed and duly executed Letter of Transmittal must be received by the Depositary in accordance with the terms described in this Offer to Purchase and the accompanying Letter of Transmittal on or prior to the Expiration Date (or, for CVOs to be accepted for purchase following the Initial Acceptance Date, the Initial Acceptance Date).

A tender of book-entry CVOs through a DTC participant will be deemed to have been received only when the Depositary receives both (1)(a) a duly completed Agent's Message through the facilities of DTC at the Depositary's applicable DTC account or (b) a properly completed and signed Letter of Transmittal and (2) confirmation of book-entry transfer of the CVOs into the Depositary's applicable DTC account.

Tender of CVOs Held in Retirement Plans

If you are a participant in certain retirement plans sponsored by Progress Energy you may have a CVO Fund account. The CVO Fund is a closed Investment Fund and the investment of accounts in the CVO Fund are expressed in units. An independent fiduciary has been appointed to monitor and maintain the CVO Fund and the independent fiduciary has the authority to make investment decisions for the CVO Fund. If you are a Progress Energy retirement plan participant with a CVO Fund account, notice of the Offer will be provided to the independent fiduciary for the CVO Fund. If you are a Progress Energy retirement plan participant with a CVO Fund account, then solely with respect to this CVO Fund account it is not necessary that you respond to the Offer (with respect to your CVO Fund account) except to the

extent that you are informed by the independent fiduciary that your response is necessary. You should contact the Plan Administrator of your retirement plan or the independent fiduciary of the CVO Fund if you have any questions. You may tender any CVOs you hold outside your CVO Fund account by complying with the steps described herein.

Payment of Purchase Price

Tendering Holders should indicate to DTC the name and address to which payment of the Purchase Price, less applicable withholding taxes and without interest, is to be sent, if different from the name and address of the person transmitting such acceptance through DTC's procedures for book-entry transfer. If no such instructions are given, such payment of the Purchase Price, less applicable withholding taxes and without interest, will be made to the Holder of CVOs tendered.

United States Federal Income Tax Backup Withholding

Under the United States federal income tax laws, the Depositary or other appropriate withholding agent may be required to withhold and remit to the United States Treasury 28% of the amount of the Purchase Price paid to certain Holders of CVOs pursuant to the Offer. In order to avoid such backup withholding, each tendering U.S. Holder (as defined in "Certain United States Federal Income Tax Considerations") of CVOs electing to tender CVOs pursuant to the Offer must (1) provide the Depositary or other appropriate withholding agent with a validly executed IRS Form W-9 certifying that such Holder or payee is not subject to such backup withholding or (2) otherwise establish an exemption from backup withholding. A non-U.S. holder (as defined in "Certain United States Federal Income Tax Considerations") may be required to submit the appropriate completed IRS Form W-8 (generally Form W-8BEN) in order to establish an exemption from backup withholding.

Determination of Validity

All questions as to the form of all documents and the validity (including the time of receipt), eligibility, acceptance and withdrawal of tendered CVOs will be determined by Progress Energy in our sole discretion, which determination shall be final and binding. We reserve the absolute right (1) to reject any and all tenders not in proper form and to determine whether our acceptance of or payment for such tenders would be unlawful, and (2) subject to applicable law, to waive or amend any of the conditions to the Offer or to waive any defect or irregularity in the tender of any of the CVOs. None of Progress Energy, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or will incur any liability for failure to give any such notification. No tender of CVOs will be deemed to have been validly made until all defects and irregularities with respect to such CVOs have been cured or waived. Partial tenders will be deemed defective and will be rejected. Any CVOs received by the Depositary that are not validly tendered and as to which irregularities have not been cured or waived will be returned by the Depositary to the appropriate tendering Holder as soon as practicable. Interpretation of the terms and conditions of the Offer will be made by Progress Energy in our sole discretion and will be final and binding on all parties.

Any questions or requests for assistance or additional copies of this Offer to Purchase, the Letter of Transmittal or any other documents may be directed to Phoenix Advisory Partners, the Information Agent, at the address and telephone numbers set forth on the back cover of this Offer to Purchase. Beneficial owners also may contact their custodian or nominee for assistance concerning the Offer.

MARKET AND TRADING INFORMATION

The CVOs are traded on the Over The Counter "pink sheets" under the trading symbol "PREX." To the extent that the CVOs are traded, prices of the CVOs may fluctuate greatly depending on the trading volume and the balance between buy and sell orders. Holders are urged to obtain current information with respect to the market prices for the CVOs by contacting their brokers or by visiting pinksheets.com.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary of the material United States federal income tax consequences to a Holder of CVOs who tenders and sells its CVOs pursuant to the Offer. This discussion is general in nature and does not discuss all aspects of United States federal income taxation that may be relevant to a particular Holder in light of the Holder's particular circumstances, or to certain types of Holders subject to special treatment under United States federal income tax laws (such as insurance companies, tax-exempt organizations, regulated investment companies, real estate investment trusts, U.S. Holders (as defined below) that have a "functional currency" other than the U.S. dollar, persons holding CVOs as part of a hedging, integrated, conversion or constructive sale transaction or a straddle, financial institutions, brokers, dealers in securities, commodities or currencies, traders that elect to markto-market their securities, United States expatriates or former long-term residents of the United States, "controlled foreign corporations," "passive foreign investment companies," corporations that accumulate earnings to avoid United States federal income tax or tax-qualified retirement plans). In addition, the discussion does not consider the effect of any alternative minimum taxes or foreign, state, local or other tax laws, or any U.S. tax considerations (e.g., estate or gift tax) other than United States federal income tax considerations that may be applicable to particular Holders. Further, this summary assumes that Holders are beneficial owners of the CVOs and hold CVOs as "capital assets" within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code") (generally, property held for investment).

This discussion does not consider the United States federal income tax consequences of a sale of a CVO held by a partnership or an entity that is treated as a partnership for United States federal income tax purposes. If a partnership holds CVOs, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A person or entity that is a partner of a partnership tendering CVOs is urged to consult its tax advisor.

This summary is based on the Code and applicable U.S. Treasury regulations, rulings, administrative pronouncements and judicial decisions thereunder as of the date hereof, all of which are subject to change or differing interpretations at any time with possible retroactive effect.

As used in this Offer to Purchase, a "U.S. Holder" of a CVO means a beneficial owner of a CVO that is for United States federal income tax purposes (1) an individual who is a citizen or resident of the United States, (2) a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state of the United States or the District of Columbia, (3) an estate the income of which is subject to United States federal income taxation regardless of its source, or (4) a trust that either (a) is subject to the primary supervision of a court within the United States and has one or more U.S. persons with the authority to control all substantial decisions of the trust or (b) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

As used in this Offer to Purchase, a "Non-U.S. Holder" means a beneficial owner of a CVO that is not a U.S. Holder and not a partnership or entity treated as a partnership for United States federal income tax purposes.

This summary does not discuss all aspects of United States federal income taxation that may be relevant to particular Holders in light of their particular circumstances. Holders are urged to consult their tax advisors as to the particular tax consequences to them of the sale of CVOs to us pursuant to the Offer, including the effect of any federal, state, local, foreign and other tax laws.

The federal income tax treatment of the CVOs is not certain. There is no published legal authority addressing the tax treatment of a contingent payment instrument that is substantially similar to the CVOs. We believe that the appropriate federal income tax treatment of the sale of the CVOs pursuant to the Offer is described in the following paragraphs. You should consult your own tax advisor as to the tax consequences of a sale of a CVO pursuant to the Offer.

Tax Considerations for U.S. Holders

Sale of CVOs. A portion of the Purchase Price received by a U.S. Holder for its CVOs pursuant to the Offer will be treated as interest income. The interest portion will equal the excess of (1) the amount of the Purchase Price received by the U.S. Holder over (2) the present value of such payment determined by discounting the payment from the payment date to November 30, 2000, the date the CVOs were issued as part of the Progress Energy and Florida Progress Corporation share exchange, by the long-term "applicable federal rate" determined pursuant to Code Section 1274(d). The remainder of the Purchase Price should be treated as a recovery of your tax basis in the CVOs sold pursuant to the Offer up to the amount of your adjusted basis in such CVOs. If the amount of the Purchase Price you receive, reduced by the portion of the Purchase Price treated as interest, exceeds your adjusted basis in the CVOs sold pursuant to the Offer, the difference will be treated as capital gain. If the amount of the Purchase Price you receive, reduced by the portion of the Purchase Price treated as interest, is less than your adjusted basis in the CVOs sold pursuant to the Offer, the difference will be treated as capital loss. If your holding period for the CVOs sold pursuant to the Offer is more than one year on the date of the sale, any capital gain or loss will be long-term capital gain or loss.

Information Reporting and Backup Withholding. In general, information reporting requirements apply to any consideration (including interest) paid pursuant to the Offer to U.S. Holders other than certain exempt recipients. U.S. Holders may be subject to backup withholding (currently at a rate of 28%) on payments received on a sale of the CVOs unless such U.S. Holder (1) falls within certain exempt categories and demonstrates this fact when required, or (2) provides a correct U.S. taxpayer identification number, certifies that such U.S. Holder is exempt from backup withholding and otherwise complies with applicable requirements of the backup withholding rules. Each U.S. Holder may provide such Holder's correct taxpayer identification number and certify that such U.S. Holder is not subject to backup withholding by completing the Substitute Form W-9 included in the Letter of Transmittal.

Backup withholding is not an additional tax. A U.S. Holder subject to the backup withholding rules will be allowed a credit equal to the amount withheld against such U.S. Holder's United States federal income tax liability and, if withholding results in an overpayment of tax, such U.S. Holder may be entitled to a refund, provided that the requisite information is timely furnished to the IRS.

Tax Considerations for Non-U.S. Holders

Sale of CVOs. For purposes of the discussion below, any income or gain on the sale of CVOs pursuant to the Offer will be considered to be "U.S. trade or business income" if such income or gain is effectively connected with the conduct of a trade or business within the United States by the Non-U.S. Holder and, if required by an applicable tax treaty with the United States, attributable to a permanent establishment (or fixed base) in the United States maintained by the Non-U.S. Holder.

A portion of the Purchase Price received by a Non-U.S. Holder on the sale of a CVO pursuant to the Offer will be treated as interest in the manner described above with respect to U.S. Holders. Such interest will not be subject to the United States federal withholding tax provided that (1) the accrued interest is not effectively connected with the Non-U.S. Holder's conduct of a U.S. trade or business; (2) the Non-U.S. Holder does not actually or constructively own 10% or more of the total combined voting

power of all classes of our voting stock within the meaning of Section 871(h)(3) of the Code and applicable Treasury regulations; (3) the Non-U.S. Holder is not a controlled foreign corporation that is related to us, directly or indirectly, through stock ownership; (4) the Non-U.S. Holder is not a bank whose receipt of such interest is described in Section 881(c)(3)(A) of the Code; and (5) either (a) the Non-U.S. Holder provides its name and address on an IRS Form W-8BEN (or other applicable form), and certifies under penalties of perjury that it is not a United States person as defined under the Code, or (b) the Non-U.S. Holder holds its CVOs through certain foreign intermediaries and satisfies the certification requirements of applicable United States Treasury regulations.

If the Non-U.S. Holder cannot satisfy the requirements described above, the portion of the Purchase Price treated as interest will be subject to the 30% United States federal withholding tax, unless the Non-U.S. Holder provides us with a properly executed (1) IRS Form W-8BEN (or other applicable form) claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty; or (2) IRS Form W-8ECI (or other applicable form) certifying that interest is not subject to withholding tax because it is U.S. trade or business income.

If the portion of the proceeds received by a Non-U.S. Holder that is properly allocable to interest is U.S. trade or business income, the Non-U.S. Holder will generally be taxed on such interest in the same manner as a U.S. Holder. In addition, a Non-U.S. Holder that is a corporation may be subject to an additional branch profits tax at a rate of 30% (or lower applicable treaty rate) of such Non-U.S. Holder's effectively connected earnings and profits attributable to such interest income.

The portion of the Purchase Price received by a Non-U.S. Holder on the sale of CVOs pursuant to the Offer that is not treated as interest will be applied against the Non-U.S Holder's adjusted basis in such CVOs. If the amount of the Purchase Price reduced by the portion of the Purchase Price treated as interest exceeds the Non-U.S. Holder's adjusted basis in the CVOs sold pursuant to the Offer, the difference will be treated as capital gain. If the amount of the Purchase Price reduced by the portion of the Purchase Price treated as interest is less than the Non-U.S. Holder's adjusted basis in the CVOs sold pursuant to the Offer, the difference will be treated as capital loss.

Any gain realized by a Non-U.S. Holder on the sale of CVOs pursuant to the Offer will not be subject to United States federal income tax, unless (1) such gain is U.S. trade or business income, or (2) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year in which the Offer is closed and certain other conditions are met. A Non-U.S. Holder who realizes U.S. trade or business income with respect to the sale of CVOs pursuant to the Offer generally will be taxed in the same manner as a U.S. Holder, unless an applicable tax treaty provides otherwise. In addition, a Non-U.S. Holder that is a foreign corporation may be subject to a branch profit tax equal to 30% (or lower applicable tax treaty rate) of the Non-U.S. Holder's effectively connected earnings and profits attributable to such U.S. trade or business income, subject to adjustments.

Information Reporting and Backup Withholding. Information returns will be filed with the IRS in connection with the payment of the portion of the Purchase Price treated as interest. The payment of the remaining portion of the Purchase Price will be subject to information reporting and possibly to backup withholding (currently at a rate of 28%) unless the Non-U.S. Holder certifies as to its non-U.S. person status under penalties of perjury on IRS Form W-8BEN or otherwise establishes an exemption, provided that neither we nor the Depositary or other appropriate withholding agent has actual knowledge or reason to know that the Non-U.S. Holder is a U.S. person or that the conditions of any other exemption are not, in fact, satisfied.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against the Non-U.S. Holder's United States federal income tax liability, provided that the required information is timely provided to the IRS.

Pursuant to IRS Circular 230, we hereby inform you that any discussion set forth herein with respect to U.S. federal tax issues is not intended or written to be used or relied upon, and such discussion cannot be used or relied upon by any taxpayer, for the purpose of avoiding any penalties that may be imposed on the taxpayer under the Internal Revenue Code. Such discussion is written and included herein to support our marketing (within the meaning of Circular 230) of the Offer. Taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

INFORMATION AGENT AND DEPOSITARY

Phoenix Advisory Partners is serving as Information Agent in connection with the Offer. The Information Agent will assist with the mailing of this Offer to Purchase and related materials to Holders of CVOs, respond to inquiries of and provide information to Holders of CVOs in connection with the Offer and provide other similar advisory services as we may request from time to time. American Stock Transfer & Trust Company, LLC, our transfer agent, has been appointed as Depositary for the Offer. We will pay the Depositary and the Information Agent reasonable and customary fees for their services (and will reimburse them for their reasonable out-of-pocket expenses in connection therewith). We will also indemnify the Depositary and the Information Agent against certain liabilities in connection with their services, including liabilities under the federal securities laws.

Requests for additional copies of this Offer to Purchase, the accompanying Letter of Transmittal and IRS Form W-9 (including any materials appended thereto) should be directed to the Information Agent at its address and telephone numbers set forth on the back cover of this Offer to Purchase.

FEES AND EXPENSES

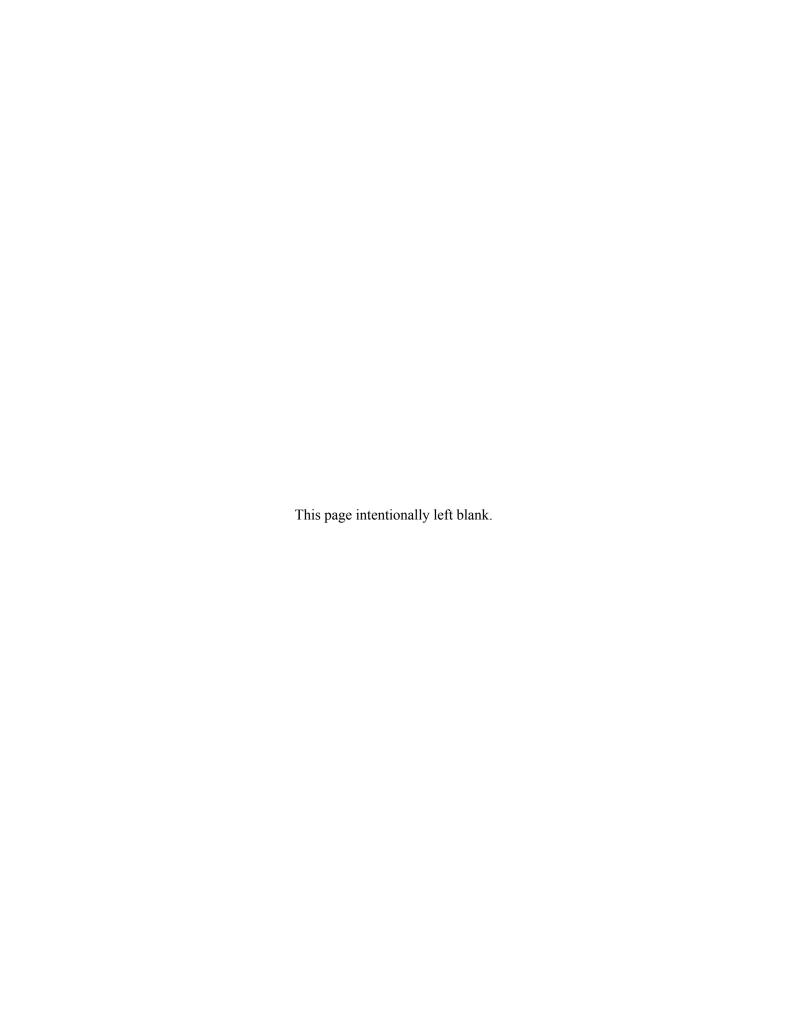
We will pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this Offer to Purchase, the accompanying Letter of Transmittal and related documents to the beneficial owners of the CVOs. We will pay all transfer taxes, if any, with respect to the CVOs. If a transfer tax is imposed for any reason other than the purchase of CVOs pursuant to the Offer, then the amount of any such transfer tax (whether imposed on the Holder of CVOs or any other person) will be payable by the tendering Holder. If satisfactory evidence of payment of such tax or exemption therefrom is not submitted, then the amount of such transfer tax will be deducted from the Purchase Price otherwise payable to such tendering Holder. Any remaining amount will be billed directly to such tendering Holder.

MISCELLANEOUS

Progress Energy is not aware of any jurisdiction where the making of the Offer is not in compliance with the laws of such jurisdiction. If we become aware of any jurisdiction where the making of the Offer would not be in compliance with such laws, we will make a good faith effort to comply with any such laws or may seek to have such laws declared inapplicable to the Offer. If, after such good faith effort, we cannot comply with any such applicable laws, the Offer will not be made to (nor will tenders of CVOs be accepted from or on behalf of) the Holders of CVOs residing in each such jurisdiction.

No dealer, salesperson or other person is authorized to give any information or to make any representations with respect to the matters described in this Offer to Purchase, the accompanying Letter of Transmittal and the related documents other than those contained therein. The delivery of this Offer to Purchase and the accompanying Letter of Transmittal (which include any materials appended thereto) shall not, under any circumstances, create any implication that there has been no change in the affairs of Progress Energy, our subsidiaries or affiliates since the date thereof, or that the information therein is correct as of any time after the date thereof.

Requests for assistance in completing and delivering the accompanying Letter of Transmittal and requests for additional copies of this Offer to Purchase, the accompanying Letter of Transmittal and other related documents may be directed to the Information Agent. Please contact the Depositary to confirm delivery of the CVOs.



The Depositary for the Offer is:



If delivering by mail:

If delivering by hand or courier:

American Stock Transfer & Trust Company
Operations Center
Attn: Reorganization Department
P.O. Box 2042
New York, New York 10272-2042

American Stock Transfer & Trust Company Operations Center Attn: Reorganization Department 6201 15th Avenue Brooklyn, New York 11219

DELIVERY OF THE LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY TO THE DEPOSITARY.

Any questions or requests for assistance or additional copies of this Offer to Purchase, Letter of Transmittal or any other documents may be directed to the Information Agent at its telephone numbers and location listed below. You may also contact your broker, dealer, commercial bank or trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:



110 Wall Street, 27th Floor New York, NY 10005 Call toll free: (877) 478-5038

Banks and brokers please call collect: (212) 493-3910 E-mail: info@phoenixadvisorypartners.com