

**PROGRESS ENERGY, INC.**  
**Policy on the Shareholder Approval of**  
**Future Arrangements Providing for Executive Severance Payments**

It is the Policy of the Board of Directors (the “Board”) of Progress Energy, Inc. (the “Company”) that the Company shall not provide Benefits to a Senior Executive upon severance in a Future Severance Arrangement in an amount exceeding the Severance Benefits Limitation unless the provision of such Benefits receives Severance Arrangement receives shareholder approval.

**Definitions**

1. “*Benefits*” means the (i) severance amounts payable in cash or otherwise, (ii) the value of special benefits or perquisites provided to a Senior Executive upon severance pursuant to the terms of an Employment Agreement between the Company or pursuant to the terms of the Company’s Change in Control Plan, and (iii) payments, including tax gross-ups, related to offsetting the Senior Executive’s excise taxes under Section 4999 of the Internal Revenue Code.

Notwithstanding the foregoing the term “Benefits” shall not include:

- Salary, incentive compensation, vacation pay and other compensation earned or accrued prior to the date of the severance of the Senior Executive;
  - Compensation and awards provided under the terms of any qualified or non-qualified plan, including but not limited to retirement plans, health, life or disability plans, equity incentive plans, regardless of whether such plans are referenced in an Employment Agreement or the Change in Control Plan;
  - Amounts paid as part of an Employment Agreement to “make-whole” any forfeiture of benefits from a prior employer; or
  - Other payments awarded by the Board outside the terms of an Employment Agreement or the Change in Control Plan for reasons the Board determines to be in the best interest of the Company, including but not limited to settlement of claims, retention arrangements and hardship circumstances.
2. “*Change in Control Plan*” means the change in control plan filed by the Company with the Securities and Exchange Commission on March 11, 2005.
3. “*Effective Date*” means April 1, 2006, the effective date of this Policy.
4. “*Employment Agreement*” means an agreement between the Company (or one or more subsidiaries) and a Senior Executive pursuant to which the Senior Executive provides services as an employee (and not as a contractor or consultant).
5. “*Future Severance Agreement*” means (i) an Employment Agreement entered into after the Effective Date that provides for Benefits upon severance; and (ii) any material modification or amendment of the Change of Control Plan or any successor plan or arrangement effective after the Effective Date that provides for Benefits upon severance associated with a change of control of the Company.

6. “*Senior Executive*” means a person who at the time of entering into an Employment Agreement or at the time of receiving Benefits pursuant to the Change of Control Plan would reasonably be expected to be one of the Company’s “named executive officers” as defined in Item 402(a)(3) of the SEC’s Regulation S-K.
7. “*Severance Benefits Limitation*”
  - a. With regard to an Employment Agreement, means 2.99 times the sum of the Senior Executives annual salary plus (i) the Senior Executive’s target annual bonus, each as determined immediately prior to the severance of the Senior Executive; and
  - b. With regard to or the Change in Control Plan (or any successor plan or arrangement), means the total value of the Benefits that could have been provided to the Senior Executive in accordance with the terms of the Change in Control Plan if the severance had occurred on the Effective Date.

### **Delegation to the Committee**

The Board delegates to Organization and Compensation Committee full authority to make determinations regarding the interpretation of the provisions of this Policy, in its sole discretion, including but not limited to the determination the value of any Benefits provided.

### **Amendments**

The Board shall have the right to amend, waive or cancel this Policy at any time if it determines in its sole discretion that such action would be in the best interests of the Company, provided that any such action shall be promptly disclosed.

### **Provision of Benefits in Excess of the Severance Benefits Limitation in Advance of Shareholder Approval**

In the event that the Board determines that circumstances warrant provision of Benefits exceeding the Severance Benefit Limitation and the Board determines that it is impractical to submit the matter for shareholder approval in a timely manner, the Board may seek shareholder approval after the Company and the Senior Executive agree to the terms related to the provision of such Benefits.