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AGREEMENT

THIS AGREEMENT, dated as of August 27, 2008, is made by and between **THE CITY OF SOUTHPORT**, a North Carolina municipal corporation ("Southport"), and **CAROLINA POWER & LIGHT COMPANY**, a North Carolina corporation doing business as Progress Energy Carolinas, Inc. ("Progress") and **NORTH CAROLINA EASTERN MUNICIPAL POWER AGENCY**, a joint agency organized and existing under Chapter 159B of the General Statutes of North Carolina ("Power Agency").

WITNESSETH:

WHEREAS, Southport wishes to annex portions of Progress' and Power Agency's property located in Brunswick County, North Carolina into the municipal limits of Southport; and

WHEREAS, Southport has requested that Progress and Power Agency agree to allow a portion of its real property in Brunswick County, North Carolina more particularly described in Exhibit A (the "Annexation Area") to be annexed by Southport; and

WHEREAS, Progress and Power Agency have agreed to allow the Annexation Area to be annexed by Southport upon the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and promises herein contained, the parties hereto agree as follows:

1. **Annexation Area**. In consideration of the terms and conditions contained in this Agreement, including without limitation Southport's agreement and covenant to submit this Agreement to the North Carolina General Assembly for ratification and to support said submission, Progress and Power Agency hereby agree to allow the Annexation Area to be annexed by Southport upon the terms and conditions of this Agreement. Within thirty (30) days of the execution of this Agreement, Southport, at its sole cost and expense, will cause the Annexation Area to be surveyed and a proposed subdivision map or plat of the Annexation Area to be prepared which complies with all requirements for approval and recording in Brunswick County, North Carolina, in order to subdivide the Annexation Area as a separate tract or parcel from the tract or parcel of which the Annexation Area is currently a part, and shall deliver such proposed subdivision map or plat to Progress and Power Agency for review and approval, in their sole and absolute discretion, but such discretion shall be exercised in good faith by Progress and Power Agency. Southport hereby agrees to cause any changes or modifications to be made to such proposed subdivision map or plat as Progress or Power Agency may require in their sole and absolute discretion, at Southport's sole cost and expense, provided that such changes do not materially affect Southport's ability to proceed with its intended annexation. In the event that the proposed modifications materially affect Southport's ability to proceed with its intended annexation, Southport shall so notify Progress and Power Agency in writing and the parties shall endeavor to mutually agree upon changes which do not materially affect Southport's ability to proceed with its intended annexation. Upon approval of such subdivision map or plat by

Progress and Power Agency and acceptance by Southport, such subdivision map or plat shall be recorded in the Brunswick County Registry at Southport's sole cost and expense, and Southport agrees to include the Annexation Area, and only the Annexation Area, in the resolution of intent, annexation plans and ordinance which it currently intends to adopt. Southport agrees to initiate said annexation proceedings by adoption of a resolution of intent no later than October 1, 2008 unless prevented from doing so by an Act of the North Carolina General Assembly prohibiting such action, and in any event to proceed in accordance with applicable law to annex the Annexation Area in an expeditious manner.

Once an annexation ordinance which includes the Annexation Area becomes effective and time for appellate review has expired, at Progress' or Power Agency option and within thirty (30) days of written request therefor by Progress or Power Agency, Southport, at its sole cost and expense, will cause a proposed recombination map, plat or instrument of combination to be prepared which complies with all requirements for approval and recording in Brunswick County, North Carolina in order to recombine the Annexation Area with the tract or parcel of which the Annexation Area is currently a part so that the Annexation Area shall no longer be a separate tract or parcel but shall once again be a part of the tract or parcel of which the Annexation Area is currently a part. Southport hereby agrees to submit said recombination map or instrument of combination to Progress and Power Agency for their approval and execution. Upon approval and execution of such recombination map or instrument of combination by Progress and Power Agency, such recombination map or instrument of combination shall be recorded in the Brunswick County Registry at Southport's sole cost and expense.

Southport hereby agrees that only the Annexation Area shall be subject to ad valorem taxes, and that notwithstanding its annexation of the Annexation Area, the Annexation Area shall not be subject to Southport's zoning or land use ordinances or regulations of any kind or type, whether now existing or hereafter adopted, amended or modified.

2. **No Annexation of Additional Property.** In consideration of Progress and Power Agency subdividing the Annexation Area and allowing the Annexation Area to be annexed by Southport, during the term of this Agreement, Southport hereby agrees not to involuntarily annex or make any attempt to annex any other portion of Progress' and Power Agency 's real property located in Brunswick County, North Carolina, identified by the tax parcel numbers listed in Exhibit B attached hereto, or any facilities, equipment, fixtures or any other personal property located thereon, whether now owned or hereafter acquired by Progress and Power Agency or any parent, subsidiary or affiliate of Progress or Power Agency (the "Progress-Power Agency Property"), nor will Southport commence any proceedings intended to accomplish the involuntary annexation of the Progress-Power Agency Property or take any steps seeking to secure the involuntary annexation of the Progress-Power Agency Property by the North Carolina General Assembly during the term of this Agreement, and Southport will oppose all efforts by the North Carolina General Assembly or any other entity to annex the Progress-Power Agency Property into Southport during the term of this Agreement.

Provided, however, that in the event this Agreement is ratified by the North Carolina General Assembly, and Southport, on or before September 1, 2017, requests that Progress and Power Agency allow Southport to annex an additional area of the Progress-Power Agency

Property which consists of a strip or parcel of land which is not greater than 100 feet in width and which parcel runs parallel and contiguous and to the west of North Carolina Highway 87 where it crosses Progress' and Power Agency's intake canal north of Southport from the southern line of Brunswick County tax parcel number 20600001 to the northern line of Brunswick County tax parcel number 20600001 (the "Highway 87 Area"), Progress and Power Agency will allow subdivision and annexation of the Highway 87 Area under the same terms and conditions as are set forth herein with respect to the Annexation Area, including that only the Annexation Area and the Highway 87 Area shall be subject to ad valorem taxes, and that notwithstanding its annexation of the Annexation Area and the Highway 87 Area, neither the Annexation Area nor the Highway 87 Area shall be subject to Southport's zoning or land use ordinances or regulations of any kind or type, whether now existing or hereafter adopted, amended or modified, provided further that an annexation ordinance for the Highway 87 Area must be adopted by Southport no later than September 1, 2018.

3. **Ratification.** The parties acknowledge and agree that this Agreement must be submitted for ratification by the North Carolina General Assembly, and Southport hereby agrees to seek legislation to be enacted and made law in North Carolina which specifically authorizes, ratifies and makes this Agreement and its terms enforceable and binding upon Southport not later than September 1, 2009. Progress and Power Agency hereby agrees to cooperate with Southport in seeking ratification of this Agreement by the North Carolina General Assembly, but the primary responsibility for such legislation shall be with Southport. Neither party will take any action to oppose or delay the ratification of this Agreement by the North Carolina General Assembly.

4. **Term.** The term of this Agreement shall be for sixty-five (65) years, from the date hereof until August 27, 2073.

5. **Representations and Warranties of Southport.** Southport hereby represents and warrants to Progress and Power Agency as follows: (a) Southport is a municipal corporation duly organized and existing under the laws of the State of North Carolina; (b) Southport has full power and authority to enter into this Agreement and to perform its obligations hereunder; (c) Southport's execution and delivery of this Agreement and the performance of its respective obligations hereunder have been duly authorized and will not constitute a violation of or default under any writ, order, judgment, decree, statute, rule or governmental regulation applicable to Southport; and (d) assuming due authorization, execution and delivery by Progress and Power Agency, upon ratification of this Agreement by the North Carolina General Assembly, this Agreement will constitute the valid and binding obligation of Southport, enforceable in accordance with its terms.

6. **Representations and Warranties of Progress.** Progress hereby represents and warrants to Southport and Power Agency as follows: (a) Progress is a corporation duly organized and existing under the laws of the State of North Carolina; (b) Progress has full power and authority to enter into this Agreement and to perform its obligations hereunder; (c) Progress' execution and delivery of this Agreement and the performance of its respective obligations hereunder have been duly authorized and will not constitute a violation of or default under any writ, order, judgment, decree, statute, rule or governmental regulation applicable to Progress; and (d) assuming due authorization, execution and delivery by Southport and Power Agency, this Agreement constitutes the valid and binding obligation of Progress, enforceable in accordance with its terms.

7. **Representations and Warranties of Power Agency.** Power Agency hereby represents and warrants to Southport and Progress as follows: (a) Power Agency is a joint agency duly organized and existing under the laws of the State of North Carolina; (b) Power Agency has full power and authority to enter into this Agreement and to perform its obligations hereunder; (c) Power Agency's execution and delivery of this Agreement and the performance of its respective obligations hereunder have been duly authorized and will not constitute a violation of or default under any writ, order, judgment, decree, statute, rule or governmental regulation applicable to Power Agency; and (d) assuming due authorization, execution and delivery by Southport and Progress, this Agreement constitutes the valid and binding obligation of Power Agency, enforceable in accordance with its terms.

8.. **Binding Agreement.** This Agreement, and the terms, covenants and conditions hereof, shall be binding upon and inure to the benefit of the parties hereto, and to their respective successors and assigns.

9. **Final Agreement; Amendment.** This Agreement contains the final, complete and exclusive statement of the agreement between the parties with respect to the transactions contemplated herein and all prior or contemporaneous written or oral agreements with respect to the subject matter hereof are superseded hereby. No change, amendment, qualification or cancellation hereof shall be effective unless in writing and executed by each of the parties hereto.

10. **Governing Law.** The validity and interpretation of this Agreement and performance of the parties hereto of their respective duties and obligations hereunder shall be governed by the State of North Carolina.


11. **Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Signatures appear on the following page.]

IN WITNESS WHEREOF, Southport, Progress and Power Agency have duly executed this Agreement under seal on the day and year first written above.

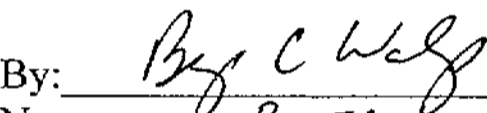
SOUTHPORT:

THE CITY OF SOUTHPORT, a North Carolina municipal corporation

By: 
Sandra P. Spencer, Mayor

PROGRESS:

CAROLINA POWER & LIGHT COMPANY, a North Carolina corporation doing business as Progress Energy Carolinas, Inc.

By: 
Name: BENJAMIN C. WALDREP
Title: BRUNSWICK Vice President

NORTH CAROLINA EASTERN MUNICIPAL POWER AGENCY


By: 
Name: KENNETH M. KABER
Title: SR. VP. NCEMPA/ELECTRICITY SVCS.

Exhibit A

*BEGINNING AT A POINT LOCATED IN THE EASTERN LINE OF THE C.P.L. DISCHARGE CANAL AND THE WESTERN LINE OF WALMART REAL ESTATE BUSINESS AS RECORDED IN DEED BOOK 1361 PAGE 614 B.C.R., SAID POINT ALSO LOCATED N-68-19-06-W 487.54' FROM N.C.G.S. MONUMENT "MILLER" HAVING COORDINATES OF N =72137.33' E=2294174.382 (NAD 1927). THENCE FROM POINT OF BEGINNING SO LOCATED RUNNING N-48-50-53-W 1547.09' TO A POINT LOCATED IN THE WESTERN LINE OF THE C.P.L DISCHARGE CANAL AND ALSO LOCATED IN THE EASTERN LINE OF THE WILLIAM THOMAS JONES PROPERTY DESCRIBED IN DEED BOOK 578 PAGE 1099 B.C.R., THENCE RUNNING ALONG AND WITH THE C.P.L. DISCHARGE CANAL N-55-14-08-E 355.98' TO A POINT LOCATED IN THE WESTERN LINE OF THE C.P.L. DISCHARGE CANAL AND ALSO LOCATED IN THE EASTERN LINE OF PROPERTY BELONGING TO ROAPST HOLDING COMPANY LLC RECORDED IN DEED BOOK 1665 PAGE 1149 B.C.R. THENCE IN A SOUTHEAST DIRECTION S-48-39-40-E 1545.97' TO A POINT LOCATED IN THE EASTERN LINE OF THE C.P.L. DISCHARGE CANAL POINT, ALSO LOCATED IN THE WESTERN LINE OF PROPERTY OWNED BY JOHN A. McCLOSKEY RECORDED IN DEED BOOK 2364 PAGE 476 OF B.C.R. THENCE RUNNING WITH THE EASTERN LINE OF C.P.L. DISCHARGE CANAL S-55-15-26-W 350.81' TO THE POINT OF BEGINNING CONTAINING 12.17 ACRES AND DEPICTED ON A PLAT ENTITLED CAROLINA POWER AND LIGHT COMPANY DOING BUSINESS AS PROGRESS ENERGY CAROLINAS, INC BY TIDE WATER SURVEYING DATED 07/07/08 - 07/10/08
William W. DeLaney II P.L.S.*

Exhibit B

Brunswick County Tax Parcel Numbers

2642J002
1170005902
20700001
20600001
22100011
251IA02102
251IA02103
251IA02104
251IA001
251IA021
251IA02101
2370002201
13600004 A
03900012
03000013
02900014
0280000835
0280000837
235KJ011

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