

# LEEWARD INVESTMENTS, LLC

November 2, 2012

J. Patrick Harman  
Chairman & Chief Executive Officer  
North State Telecommunications Corporation  
111 North Main Street  
High Point, NC 27260

Dear Mr. Harman:

Almost 3 years ago, we urged North State to consider a sale of the Company. Management dismissed our concerns about future prospects for the Company, saying to shareholders that North State had invested in new technologies to counteract the contraction of its phone business and expected this investment "to pay off handsomely in terms of improved earnings and cash flow by the end of 2011."

It should be clear to all by now that contrary to management's predictions, the deterioration in the Company's performance is accelerating and the benefits and protections sought from the Company's very substantial investments have not and will not arrest the decline.

North State no longer enjoys a monopoly. It operates in an industry that continues to undergo rapid, profound and unpredictable technological change. A small company cannot expect to manage in such an environment. The long term prospects for this Company in the hands of its current shareholders are decidedly unfavorable.

We offer the following:

- North State has spent \$215 million in capital expenditures in the last 10 years through 2012
- Notwithstanding the massive spending, annual earnings per share have dropped from a high during that period of \$8.28 per share to \$3.71 in 2011
- The coverage ratio of earnings to dividends has gone from a comfortable 150% to 71% during this period
- Earnings for the first half of 2012 have declined a further 23% compared to the same period in 2011
- Not content to spend its own capital resources, North State tarnished its pristine balance sheet and borrowed over \$57 million to acquire a data center last year, with seemingly no improvement to the bottom line
- Even wireless performance (once a potential bright spot) has declined, with falling revenues and less favorable treatment from ATT
- Any gains North State sought to make on Broadband are being eaten up by substantial and accelerating increases in operating expenses

We assume North State's declining stock price reflects these facts and a sentiment that the dividend is now at risk.

Sadly, the Company won't attract the price it would have fetched 10 years ago or even perhaps 3 years ago. The longer you delay, however, the more you put at risk the future well being of all shareholders that rely on this Company as a meaningful source of support. It is time for North State to explore a sale for the best interests of the Company and all of its shareholders.

Sincerely,



Kent Rowett