



C. Hayden McKenzie
Chairman and
Chief Executive Officer

March 19, 2010

Dear Shareholder,

You may have recently received a letter from Leeward Investments, LLC suggesting that North State Telecommunications Corporation, its management and the Board of Directors consider a sale of the Company. I want you to know that the Company's senior management and your Board of Directors have fully considered Leeward Investments' suggestion and the Balhoff & Williams, LLC (B&W) report and do not agree with certain assumptions made by B&W or the flawed methodology that resulted in the report's conclusions. Your Board of Directors' goal of long-term shareholder value is not the same as the short-term goal of Leeward Investments.

Leeward Investments is the general partner of a California hedge fund, Leeward Capital, L.P., which is a shareholder of the Company. Leeward Investments is in the process of winding down and terminating their hedge fund, and we believe the principals have a short-term perspective in regard to their North State stock. Leeward Investments hired B&W to draft the B&W report and for this reason, we think that it is prudent to use a critical eye when reviewing the B&W report.

Based on our detailed review of the B&W report, our superior knowledge and insight into the Company, the Company's five-year strategic plan, and our collective industry knowledge, senior management has reached the following conclusions:

- North State management understands the macro changes in the telecom industry and initiated a strategic plan in 2008 to grow broadband services through a fiber-to-the-home ("FTTH") build-out, which will allow the Company to provide advanced products and services that its customers demand including data, digital voice, and advanced TV. Additionally, as a forward-looking complete communications solutions provider, North State is well positioned with (i) its unique arrangement with AT&T providing competitive wireless services and products, and (ii) its IP based business products which will provide business-to-business services in new markets.
- North State has invested in these new technologies to counteract the effect of traditional wireline contraction and expects this investment to pay off handsomely in terms of improved earnings and cash flow by the end of 2011 when it has completed its FTTH build-out, and increasing substantially in subsequent years. This broadband strategy will allow the Company to gain market share by offering superior bundled packages that, importantly, translate into increased revenues across data, voice, and advanced TV.
- North State is not an average, mid-size wireline telco or a low density, high cost rural telco. North State is among the largest telcos in the country and has consistently paid dividends for 84 consecutive years. It has an extremely strong balance sheet with no debt, which has allowed the Company to make the broadband technology investments necessary to be highly competitive. Additionally, North State has unique relationships with both AT&T and Verizon for wireless services that provide substantial revenue and investment growth

Page 2

March 19, 2010

opportunities unavailable to most mid-size telcos. We believe our financial flexibility puts us in an enviable position to continue our current dividend policy even as we invest in our network for the future.

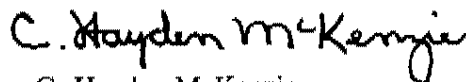
- North State is aware of the many evolving regulatory changes occurring at both the federal and state levels. Unlike many rural wireline telcos, North State does not rely on significant levels of revenue through regulatory funding programs. The Company has considered these changing regulatory trends in its current strategic plan.
- Company management and your Board of Directors believe the long-term goals of the Company will be achieved through the Company's strategic plan resulting in increased revenue and increased valuation over time. At the present time, given the depressed economy and the tight financial markets, we believe a sale of the Company would not be prudent considering the anticipated increased valuation of the Company as we execute our strategic plan. Leeward Investments' suggestion to sell is likely the result of its short-term goals.

Your senior management team met with B&W and has had communications with Leeward Investments. Your Board of Directors considered, in detail, the B&W report and Leeward Investments' viewpoint. Additionally, as required by the Company's articles of incorporation, the Board of Directors has considered its customers, employees, and the communities in which North State operates. We welcome shareholder input and on an ongoing basis we continue to evaluate North State's strategic options. Ultimately, the Board of Directors and senior management believe that it is in the best interest of the Company and its shareholders to continue to manage the Company in accordance with its strategic plans and to grow shareholder value.

Thank you for your attention in this matter, and I appreciate your ongoing support for our Company and its 115 year history. Should you have any questions or concerns, please do not hesitate to contact me at 336-886-3679.

Sincerely,

NORTH STATE TELECOMMUNICATIONS CORPORATION



C. Hayden McKenzie
Chairman and CEO

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