

UTILITIES, INC.

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Perry B. Owens
Chairman and Chief Executive Officer

June 30, 1995

The Honorable David E. Hasulak
Mayor
The Town of Pine Knoll Shores
100 Municipal Circle
Pine Knoll Shores, NC 28512

Dear Mayor Hasulak:

I received the Town's letter of June 29, 1995. As you know, our water company has continued to make a substantial investment in the community since 1972 when there were only 25 homes. I personally have been a homeowner for 13 years. Our ties to this community go back a long, long time. As such I feel I have a certain responsibility to make sure that the community's best interests are served.

The Town's intention to either purchase our water utility or install a duplicate system is, obviously, of concern to me. How can the Town possibly justify this involvement and investment for a potential savings to homeowners of at most \$2 to \$3 per month while assuming the enormous potential liabilities for providing this service? Especially when you, yourself, have indicated that neither water quality nor customer service are at issue.

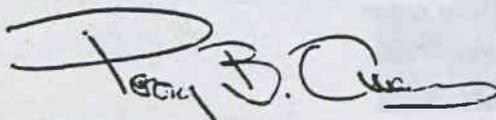
I would assume that, by now, the Town through its legal counsel, Mr. Ken Kirkman, is aware that there are recorded enforceable legal covenants that would prohibit most residents from receiving water service from a supplier other than Carolina Water Service. In addition, we have binding legal agreements with the Episcopal Church and several condominium developments that require them to take water service from either our company or its assigns for a stipulated period of time. Mr. Kirkman is also aware of several of these agreements since he represented our company at the time. In order to avoid any future misunderstandings of the facts, I have enclosed a copy of the original 1966 Roosevelt agreement and correspondence with Ken Kirkman for your verification. We have yet to receive, however, even one letter from the Town either acknowledging or disputing this fact.

Please be advised that, if the Town proceeds with engineering and construction of a parallel water system, our company will seek immediate legal relief to prohibit connections. In addition, as a property owner, I would personally take action against the Town for the misuse of funds. I am sure that you realize the initiation of litigation would have a serious impact on the availability of financing for the Town.

Regardless, it is my sincere desire that this matter be brought to a timely and reasonable conclusion. Accordingly, I am willing to recommend to my Board of Directors the sale of our water system to the Town for a price of \$3,750,000.

I await your response.

Sincerely,



Perry B. Owens

cc: B. Gallo