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Re: Inadmissible Offer of Settlement and Compromise Concerning Notice of Intent to File Suit Pursuant to Sections 505(a)(1) and 505(a)(2) of the Clean Water Act

Dear Brooke:

I write as counsel to the Village of Bald Head Island concerning the issues set forth in the Notice of Intent to File Suit dated July 16, 2009 and the draft complaint attached thereto. As you know, in that Notice, the Village advised the Corps of the Village's intent to file a citizens' suit under the Clean Water Act. The purpose of this letter is to seek a resolution of these matters, if one can be reached, without the expense and inconvenience of litigation.

The Village is prepared to forego the noticed litigation if the Corps, within the next 30 days, agrees to enter into a Consent Decree with the Village, which includes the following provisions:

- (1) The Corps will issue, not later than April 30, 2010, a final report on the effectiveness of the Wilmington Harbor Sand Management Plan ("SMP") and proposed modifications to the SMP to address adverse impacts of the Wilmington Harbor Shipping Channel ("Channel") project on Bald Head Island beaches.
- (2) Until another mutually agreeable solution is implemented, the Corps will, at a minimum, modify the existing SMP so that the Corps is obligated to provide Bald Head Island with the placement of a sufficient quantity of available beach

compatible sand to maintain the Island in stasis from the maintenance dredging of the Wilmington Harbor Shipping Channel each time the Smith Island and Bald Head Shoal Channel segments of the federal project near Bald Head Island are dredged. The placement of such sand to occur with a presumptive frequency of at least every two years and at locations identified in advance by the Village.

- (3) The Corps will not engage in dredging activities within 500 feet of the Mean High Water Line in existence at the point which is defined as the confluence of West and South Beaches ("the Point").
- (4) The Corps assumes financial responsibility for the payment of the costs of replacement or repair of the currently permitted groinfield structures on Bald Head Island that mitigate the rate of erosion of South Beach.
- (5) By October 30, 2011, the Corps will complete a Section 216 Study and issue a final study report of: (a) the impacts of the Channel project on Bald Head Island beaches, (b) potential alternatives and Channel project modifications for addressing or mitigating the impacts, and (c) the need for and feasibility of implementing the alternatives and project modifications.
- (6) By October 30, 2011, the Corps will take all action necessary to include Bald Head Island with the other Brunswick County Beaches in the 50 Year Shore Protection Plan.
- (7) By October 30, 2012, the Corps will complete all appropriate reconnaissance, feasibility, and other studies and issue a final report of the need for and feasibility of building a terminal structure or structures at or near the Point sufficient to protect Bald Head Island and reduce the costs to the Corps of maintaining the Channel.
- (8) By October 30, 2012, the Corps will complete all appropriate reconnaissance, feasibility, and other studies and issue a final report of the need for and feasibility of relocating the Channel farther to the west away from Bald Head Island to protect Bald Head Island and reduce the costs to the Corps of maintaining the Channel.
- (9) The Corps budgets and seeks Congressional appropriations of funds sufficient to ensure its compliance with the obligations to the Village as set forth in the Consent Decree.

M. Brooke Lamson, Esq.

October 7, 2009

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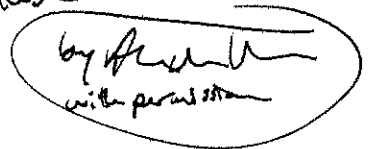
Further, the Corps will need to agree to extend the waiver of the statute of limitations for damages set forth in the existing Settlement Agreement for a sufficient period of time to accomplish the above stated objectives.

We look forward to discussing these points with you.

Sincerely,

George W. House

George W. House


by *[Signature]*
with permission