

Lake Holiday

It's Your Vote—Keep It

Recently, Members of the Association received two mailings, one from another Member and Board candidate, Bill Masters, and one unsigned. Mr. Masters' mailings include a badly flawed Proxy Form. Among other things, it asks Members to give him their right to vote on elections for Directors for five years. One purpose of this mailing, then, is to clarify and correct the errors in the mailing you received so that you can be assured that your vote will count in the upcoming election in the way you intended.

As always, the Association urges you to keep your right to vote. Do not give it away to someone else for five years (or any period) to be exercised in unknown ways for unknown objectives.

If you are considering giving anyone your proxy, you should be aware of the following:

- Signing this proxy will not "rescind all earlier absentee ballots, votes, selections, and all earlier proxies submitted by the owner" as the Proxy Form you received incorrectly states.
- By the Lake Holiday Election Process-2007, a proxy may only be rescinded when the Secretary of the Association receives a notice of revocation from the Member (and only the Member). Our election administrator will be instructed to honor the earliest proxy that has not been rescinded by notice from the Member.
- By the Lake Holiday Election Process-2007, a properly executed absentee ballot or an in-person vote constitutes a revocation of any proxies for that Member. Our vote administrator will be instructed to disregard all proxies for Members who have submitted an absentee ballot or an in-person ballot.

The mailings you received also make some significant charges against the Association and its current Directors. We feel that we must set the record straight with the information provided below:

Assessments	The unsigned mailing claims that assessments are planned to go up 37% in 2008. The fact is that the 2008 draft budget calls for total assessments for lots with homes to increase by 7.7%, for utility-availability lots to increase by 7.1% and for Membership Lots to <u>decrease</u> by 1.4%. This budget must be ratified by the new Board after the election.
The Dam	The first mailing indicates a number of \$4782 as your cost for rebuild of the spillway to meet Virginia standards. <u>No arithmetic we know of gets to this number</u> , but it will be expensive. Failing to plan for, and perform, this rebuild is not an option available to Lake Holiday. Failing to do so will mean that the State will cease to certify our dam and force the lake to be drained. Your Board continues to negotiate for the minimum possible cost for this rebuild, the best possible financing and the longest delay before the project must be undertaken. To do anything less would put our lake at serious risk.
Miller and Smith's Fair Share	Regardless of how any Member may personally feel about it, Miller and Smith (Lake Holiday, LLC) is exempted (not prohibited) from paying assessments for the Trust Lots they own dating back to an agreement in 1984. In spite of this, Miller and Smith chose to pay assessments for 100 Trust Lots in Section 10 in 2006. The legitimacy of this was affirmed in Frederick County Court on October 3 rd when Bill Masters' suit against the Association was decided in our favor. Over the years, Miller and Smith has supported the community in so many ways that we do not have room to list here. They pay full dues for every lot for which they are required to pay and for many that they pay voluntarily. One mailing asserts that Miller and Smith failed to pay all the \$300,000 they committed for the Clubhouse. In fact, Miller and Smith paid, in round numbers, \$100,000 for restoration of the beach restrooms in 2006, \$17,000 for architect's fees and \$183,000 for the reconstruction this year. That adds up to \$300,000 and is in addition to the \$150,000 Miller and Smith paid for restoration of the tennis and basketball courts in prior years.

Lake Holiday Country Club, Inc.

231 Redland Road ♦ Cross Junction, VA 22625 ♦ 540-888-3549 ♦ fax 540-888-3892

Clubhouse	It's a wonderful facility, and we will figure out how to staff it correctly while being mindful of limited financial means. Anyone attending Board Meetings where this topic has been discussed would know that the Clubhouse will have extensive opening hours this year and an Activities Director in 2008.
Legal Fees	<p>Our legal costs are higher than is comfortable for anyone, be it a Member or a Director. They are \$33,237.70 higher this year since we had to spend that much to defend the law suit that was decided in our favor on October 3rd. The \$560,000 spent in 2006 must be measured against the achievements. In 2006, the Association was forced to deal with:</p> <ul style="list-style-type: none"> • Defense of our Utility Company in the suit brought by Ogunquit (charges dismissed) • Defense against the Ogunquit challenge to the sale of the Utility Company (challenge unsuccessful) • Collections of unpaid assessments • Corrections of prior years tax filings and audits dating back to 1999 • Preparation and filing of 2004 and 2005 taxes and audits • Sale of our Utility Company <p>Each of these was a necessary element of running Lake Holiday, and each was a good business decision with positive payoff for the Association's Membership. Legal costs could be reduced dramatically if law suits of questionable merit brought by our own Members were to cease. (One was decided in our favor on October 3rd; two more are still in litigation.)</p>
Selling the Utility Company	It's a complex subject to dismiss in one sentence. In fact, if we had not sold the utility company, we would be faced with much higher utility bills, probable ongoing subsidy from the Association and a multi-million dollar waste treatment expansion to pay for. Don't fall for the slight-of-hand trick of criticizing one option without considering the consequences of the other option
Spending	We wish this were possible to reduce dues by the 45% suggested in the mailing you received without negatively impacting our community. We wish the authors of these mailings had attended one of the four public Board Meetings on budget planning for 2008. We wish they had shared just one idea. Anyone attending any of the budget planning meetings for 2008 would recognize just how hard the Board agonizes over every dollar of your money that we spend to make Lake Holiday the kind of community in which you want to live.
Delinquency Collections	The Board does not consider our collection tactics heavy handed as suggested in the first mailing you received. We consider them encouragement for all Members to share the cost to run Lake Holiday. For this and any future Board to proceed otherwise would be a gross injustice to each Member who pays the assessments regularly. It is simply not fair for a portion of our Membership to pay extra to subsidize those who enjoy Lake Holiday but don't feel that they have any obligation to finance the way of life we all enjoy.
The Lawsuit	Masters' suit charged the Association with conducting a fraudulent election in 2006 and charged five Directors as illegitimately holding office. The judge agreed that the Association acted properly and ruled in our behalf. The Association had behaved according to law and contractual obligation. When confronted by serious charges of wrongdoing and having done nothing wrong, the Association simply cannot decline to defend itself and cannot settle for less than full vindication . Unfortunately, the Association must continue to incur legal fees in defending itself against unfounded claims of wrongdoing.

Cast your own votes.

Vote thoughtfully and knowledgeably.

Come to the Annual Meeting on October 27th in your beautiful Clubhouse.

Ask questions and offer ideas.

Sincerely,

Lake Holiday Board of Directors