

to a 10.1% increase upon the close of the sale with Aqua America. Aqua America can charge these lower rates by spreading short-term costs over many years through long-term borrowing.

So, who is Mr. Murray? He does not reside within the community. He is a developer and a home builder. He currently owns twenty-one membership lots and eight water and sewer available lots. His interest in the community differs from the fiduciary duty of the Board. We have a responsibility to review the interests of all members, both in the short-term and long-term. We suspect his real issue with the new utility tariff is not about the new rates and your property value, but with the new rule that the Utility Company is not responsible for the costs of installing new water and sewer lines for lots that currently do not have them. Mr. Murray has requested the Utility Company to extend water and sewer lines to three of his properties at the expense of the Utility Company, which, in practical terms, means that he wants the Board to assess our membership to pay for this expense. In addition to raising very serious questions about the equity of such a plan, the windfall to any builder would be enormous. In the case of Mr. Murray, experts have advised the Board that the values of his properties would be three to four times the price he paid for them when connected to the utility.

Mr. Murray also criticized the increase in the reclamation fee that we use for capital improvements to the very utility system that Mr. Murray wants the Utility Company to connect to his lots. Capital improvements are necessary for the long-term health of the utility system. While avoiding an increase in the reclamation fee may serve some members well in the short-term, the community will be the major beneficiary in the long-run,

Mr. Murray has not attended Utility Company or LHCC Board meetings in the past. He did not attend the membership meetings that began last July when the Board explained the crisis in the utility system and the huge financial drain on the LHCC. He did not attend meetings when the water system failed early last year. These meetings are opportunities to stay informed about the issues facing our utility system and to express views to the Board and other members.

Instead, the first communication from Mr. Murray to the Board included a long letter from his attorney that concluded with a claim of damages payable to him of more than \$4 million. The next communication was a lawsuit, again alleging that he has experienced losses that would total more than \$4 million. These actions have resulted in three court hearings and at least one more to be scheduled. In the first hearing, he challenged a Membership vote, and the court ruled in favor of LHCC. In the second hearing, he challenged the right of LHCC to sell the utility to Aqua America, and the court ruled in favor of LHCC. At a hearing on February 8th, the issue was Mr. Murray's request for disclosure of the secret ballots cast by members at the election conducted this past October. In sum, he wanted to know who you voted for. He has also demanded access to your personal financial records held by LHCC. We contended that your ballot and financial records are kept by LHCC on a confidential basis. The resolution on the 8th was a confidential review of the October Membership vote to be conducted by the Association's attorney, Mr. Murray's attorney and the independent vote administrator who the Association hired to oversee and validate the vote count. Who you voted for and personal financial information will remain confidential.

Mr. Murray was represented by his lawyer at the October Membership meeting, at which he introduced a slate of seven candidates. He came to the meeting with control over approximately 180 votes as a result of acquiring proxy votes. But his slate of candidates was not elected. Another builder reported that Mr. Murray solicited votes from them with the goal of taking control and creating a "developer friendly" Board. Of course, this is Mr. Murray's right, but the results of the election speak for themselves as to what the community membership wants from its Board.

Mr. Murray has every right to be motivated by the amount of money he can make. But this motivation does not necessarily make him a spokesman for the welfare of the community. Lake Holliday, LLC (Miller & Smith and Oakcrest) is the major developer here at Lake Holiday, with over 700 lots. To date, Lake Holiday, LLC has contributed or committed \$16,116,043 to the benefit of the Association. Mr. Murray's