

April President's Letter

New Maintenance and Trash Facilities Coming

I often observed the Board of Directors' meetings as a community Member during 2005 and then each month as a Director in 2006. In the course of those two years, the Board was frequently forced to subsidize the utility company using Association funds. Hundreds of thousands of dollars were "loaned" to Lake Holiday Estates Utility Company to prop up its ability to continue its indispensable services to the community. As a result, the financial reserves of the Association were drained, and a line of credit had to be taken near the end of 2006 to meet the cash needs of the Association. It was not a pretty sight, but there was no choice. A failed a utility could not be tolerated.

Fortunately, in 2005, the Board of Directors found a company, Aqua America, willing and able to purchase the utility company's assets and to assume its responsibilities to deliver water and sewer services to Lake Holiday. A purchase agreement was worked out and approved in 2005. Finalization of the sale took all of 2006 due to delays at the State Corporation Commission and legal obstacles thrown up (unsuccessfully) by a Member of the Association. Finally, on the last day of 2006, the sale was finalized, and Lake Holiday was out of the utility business. The cash generated by the sale replenished our reserves and permitted us to undertake renovation of the Clubhouse. Need for further "loans" to keep the utility company solvent was behind us. By any measures, the date on which this sale was completed represented a clear demarcation between the past struggle for survival and a future of positive evolution for Lake Holiday.

During the negotiations and due diligence, Aqua understood that it would face a major enhancement to the wastewater treatment plant soon after the purchase was complete. The aging plant neither met the capacity needs of a growing Lake Holiday nor did it meet the much more stringent environmental quality demands being imposed by the government. It should be noted that all of the effluent from this plant flows into the Chesapeake Bay. After examining the alternatives, Aqua correctly decided that the most likely plan would be expansion on the current site. But the parcel of land on which the waste water plant is located is not large enough for an expanded facility. Therefore, Aqua requested that Lake Holiday provide an option in the purchase agreement allowing it to acquire land from us on which to build the new plant. Lake Holiday agreed to provide this option as one element of this mutually beneficial agreement.

The land for which Aqua holds an option is the land currently occupied by our maintenance facility and trash facility. During 2007, Aqua finally determined that this is the only feasible location for the new treatment plant and finalized their schedule for construction. That schedule calls for us to transfer the land to Aqua by the end of 2008. This, in turn, requires Lake Holiday to relocate its maintenance and trash facilities this year. A special assessment of \$11.15 per month is included in your total assessment this year to pay for this relocation.

The new maintenance and trash facilities will be built on the parcel of land on West Masters on which the new mail station is located. It will be situated behind and to the left of the mail station, with extensive landscaping included to shield the facilities from the road. Because this location is centrally located and is close to the front gate, it should provide accessibility that is more balanced to all Members regardless of where their residence is located. This land is currently owned by Lake Holiday, LLC (Miller and Smith and OakCrest). LHLLC has generously agreed to provide this land at no cost to the Association to make this community improvement possible.

A detailed site plan has been completed and can be viewed at the Association office. This plan has also been submitted to Frederick County for approval. You will soon see our maintenance staff start to clear the portion of the property necessary for the new facilities. A Request for Proposal has been issued to local construction companies to identify a contractor for the construction. The new facilities will be completed by the end of the year.

There are a number of benefits from this project. Lake Holiday will have a new and modern maintenance facility, which, unlike the present building, will require little upkeep for years. Both the maintenance facility and the trash facility will be more centrally located providing convenience to Members and staff

alike. Finally, we can all be comforted by the knowledge that the new wastewater treatment plant will have adequate capacity for the foreseeable future, will no longer dump raw sewage in Virginia's rivers and the Chesapeake during rain events and will produce a dramatically cleaner effluent each day.

Cost of the New Spillway

Over the last two months, the President's Letters were devoted to a discussion of our dam's history and future. The most notable event is a replacement of the spillway in the next several years. It has come to my attention that some Members and outside observers were alarmed about the cost of this project. Unfortunately, I am unable to tell you the exact cost to each Member or the exact timeframe over which this money will be assembled using a dedicated reserve fund. Those numbers are subject to knowing the final cost of the project and the final schedule, which must be negotiated with the State government. However, to understand the order of magnitude, consider the following. Our current best estimate of the project's cost is \$6,000,000. We currently have 1901 lots for which assessments are charged and expected to be paid. If all lot owners paid their assessments and the total bill of \$6,000,000 turned out to be accurate, the total cost per lot would be \$3,156 to be paid over several years. As always, any short fall created by those who do not pay the assessments must be subsidized by those who do.

I commit to keeping the Membership informed as soon as we know more detail about this project and its cost.

Respectfully submitted,
Wayne Poyer