

The President's Report February 2004

February Ice Storm:

First, I want to express my appreciation to all those property owners who actively looked out for their neighbors during the recent power outage. I have heard of numerous gestures of caring and compassion. This is what community is about. Thanks! The ice storm we experienced earlier this month tested not only the public utilities but also our ability to respond as a community to meet the various issues that resulted from a massive power failure. We are working diligently to review and approve an Emergency Response System for The Summit. A first draft of the plan will be considered as part of the February 24 Board meeting. Jim Traynor, Board Member-at-Large has been providing the leadership for this project. The final plan will significantly improve our ability to respond to community emergency situations and will ultimately improve the communication with property owners and public officials.

Another History Lesson The Summit Golf Course:

As a follow-up to a history article last month written by Dolores Smith, Board Member-at-Large, Dolores has written another history of The Summit Golf Course. This report is provided as an addendum to the President's Report this month. We hope these brief reviews of history will help property owners better understand our past. Thanks again, Dolores! A history of the Lake Holiday Estates Utility Company is under development.

Update Frederick County Sanitation Authority:

The feasibility study authorized by the Frederick County Board of Supervisors to review the water and sewer service of Lake Holiday Estates Utility Company (LHEUC) is proceeding. They will not have a report for the Lake Holiday Country Club (LHCC) Board of Directors and LHEUC Board until after their Board meeting on March 23, 2004.

Financial Management Task Force Projects:

There are a number of issues that have been referred to the FMTF for review and subsequent recommendations to the LHCC Board. These include:

1. The Vice President and President have been in dialogue with the Virginia Municipal League/Virginia Association of Counties (VML/VaCo) related to a potential bond opportunity for funding infrastructure improvements in LHCC. The meetings so far have been very supportive and promising. We have asked the FMTF to develop a 10-year financial pro forma based on the projected growth scenarios provided by Lake Holiday, LLC. This could provide a significant opportunity for funding capital projects within LHCC. My appreciation is extended to Chris Allison for all the leadership work on this project. Chris and I have met with Gary Dove, our representative to the Frederick County Board of Supervisors to seek his support for establishing a Community Development Authority. The FMTF has been asked to develop this project further with Frederick County officials and provide a recommendation to the LHCC Board of Directors. We have requested a recommendation from FMTF by the April meeting.
2. The FMTF has been asked to review the current balance sheets for LHCC and LHEUC related to the LHCC asset value for LHEUC and the LHEUC balance sheet related to the current booked LHEUC liability to LHCC. The external auditors have asked the Board to consider an adjustment to the balance sheets for both LHCC and LHEUC. We anticipate a recommendation from the FMTF by May.
3. The expenditure by LHEUC for water and sewer expansion work in 2003 will be reviewed by the FMTF to determine how much of that cost should be reimbursed by LHCC. The Board has reviewed Resolution 2004-1 and will be asked to approve the resolution on February 24. This resolution defines the scope of financial responsibility for LHCC and LHEUC. In summary, LHEUC is responsible for operation and maintenance of the water and sewer system and **LHCC is responsible for expansion of the water and sewer system.** The LHCC Board, in collaboration with G. W. Clifford and Associates, our engineering consultant and Juan Cardenas, our legal counsel for real estate issues, will serve to interact with Lake Holiday, LLC related to water and sewer expansion issues.
4. The FMTF has been asked to develop a scope of work and solicit requests for proposals from local CPA firms for the purpose of conducting our annual external audit of both LHCC and LHEUC financial records. These auditors will replace the currently engaged auditors. We are asking for this work to be completed by May or June 2004.
5. The FMTF, in collaboration with the General Manager will be evaluating the future accounting services. They have been asked to review three different scenarios and develop a cost analysis for each:
 - a. Continue the accounting function as currently provided by CMC
 - b. Move the accounting function into the management office
 - c. Contract with a local accounting firm for these services

We have asked for this work to be completed and a recommendation to the Board by the end of April.

As you can see the scope of work for the FMTF is large and is significant related to our future costs of doing business, which are directly related to the costs borne by property owners through assessments. I am asking the FMTF to work diligently as stewards of our community resources to provide the best possible recommendations for Board consideration. If you know of anyone who has expertise in accounting practices or financial management we would welcome them submitting a letter of interest to serve on this important Task Force. Interested candidates should write to the Management Office, Attention: Frank Heisey, President.

E-1 Grinder Pump Policy:

A joint Task Force composed of members from the LHEUC and LHCC Boards of Directors is developing an E-1 Grinder Pump Policy for consideration by the LHCC Board of Directors. E-1 Grinder Pumps are pumps that move sewage from a home at a low

elevation to a higher elevation for connection to the sewer main. We have engaged legal counsel to guide this process and anticipate a recommendation to the LHCC Board in March. Kris Tierney has been chairing this Task Force and I extend my thanks to him for this work.

Lake Holiday, LLC Issues:

We have been actively working through our attorney, Juan Cardenas, to provide feedback for the revised conditions for a Development Agreement between LHCC and the developer, Lake Holiday, LLC. We have made significant progress and anticipate a revised Development Agreement in the next few weeks. A task force chaired by Chris Allison, Vice President, has been diligently reviewing the revised Declaration for The Summit and will be making recommendations for Board consideration in the next few weeks. We will then communicate this information through our attorney to Lake Holiday, LLC.

Development of New Sections:

Lake Holiday, LLC has provided us with drawings for Section 10 located off of Masters Drive. Section 10 will include 115 new lots and will have 6 lots with E-1 grinder pumps for sewage. The Lake Holiday, LLC goal is to begin marketing these lots by the fall of 2004. Drawings for Section 10 are now available. The President of LHEUC, Charles F. Brewer, and I have agreed on the following plan for distribution of copies of the site drawings:

1. A copy of all new section site drawings will be distributed as follows:
 - a. Management Office- archive copy
 - b. LHEUC Board
 - c. G. W. Clifford and Associates
 - d. LHCC Board
 - e. Architectural Committee
 - f. Roads Task Force
2. The General Manager will be responsible for the copy distribution and for archiving a master copy of all site drawings. The Presidents of LHCC and LHEUC have also been engaged in dialogue with the Lake Holiday, LLC site engineer and our site engineer related to Section 9 development issues. More information will be communicated on this as the particulars become available. In this meeting we have restated our position that we will not approve any new areas being developed and connected to our water and sewer system until we have a fully negotiated Development Agreement.

Resignation:

Tom Wallace has resigned as Treasurer and Chairperson of the Financial Management Task Force (FMTF). The LHCC board will be asked to appoint a new Treasurer and Chairperson for the FMTF as part of the agenda on February 24, 2004.

Again, thanks for your support. Please do not hesitate to communicate directly with me should you have issues that need our attention. My email address is fhlhcc@aol.com.

Respectfully Submitted,

M. Frank Heisey
President