

OGUNQUIT DEVELOPMENT

May 11, 2007

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Gentlemen:

We understand that you will have a Special Board Meeting on May 14th and among the topics you will discuss are changing expenditure plans.

Last summer, we proposed that LHCC create a Membership Lot Trust Account where the dues paid by membership lot owners would be set aside and used for long overdue improvements to membership lots. To date, the LHCC board has refused to respond to our proposal. In 2007, membership lot owners are expected to pay \$414,796 to the Association in regular and special assessments. Nothing is being done to improve membership lots. You continue to assess and collect hundreds of thousands of dollars from membership lot owners annually, but you devote little or no public discussion to spending money to improve these lots. Over the most recent 3 year period, this is an amount that is well above \$1 million. In the past 3 board meetings covering nearly 9 hours of discussion, there is no discussion whatsoever of spending the dues paid by membership lot owners to improve their lots. Nevertheless, during the last board meeting, there is nearly 15 minutes of discussion about spending less than \$300 for a skate board park.

In LHCC's 2007 budget, sales of LHCC lots are expected to contribute \$240,000. The overwhelming majority of LHCC lots were acquired as a result of a settlement with the original developer's finance company to provide the resources to complete the development. We think that at least 50% of the proceeds from lot sales should be put to this use.

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In January of this year, the LHCC board doubled the capitalization fee. In March, we raised the issue that this fee is not authorized by any of the governing documents at Lake Holiday. We requested a refund, but you declined our request and provided no specific justification for continuing to charge the fee.

It's time to resolve these issues once and for all.

We demand that:

1. the LHCC board approve at the 5/14/07 meeting an expenditure of not less than \$534,796 (which amount is the amount budgeted to be collected from membership lot owners plus $\frac{1}{2}$ of the expected lot sale proceeds) and spend these monies before the end of the year to improve membership lots, and thereafter, to budget and spend that year on improving membership lots an amount not less than the total assessments collected from membership lot owners that year + $\frac{1}{2}$ of all lot sale proceeds received that year;
2. the LHCC board approve at this meeting abolishing the capitalization fee and making prompt refunds to everyone who paid this unauthorized fee within the past 5 years;
3. the LHCC board and Treasurer acknowledge by a resolution passed by the Board at this meeting that the Bylaws of the Association require the Treasurer to disburse funds approved by a board resolution and that each and every expenditure over the board-approved budget must be approved by a board resolution passed in open forum.

If these issues are not resolved to our satisfaction prior to the completion of the May 14th special board meeting, we will promptly initiate steps to address the inequities you choose to ignore.

Sincerely,



William B. Murray, Jr.