

May 16, 2007

Dear Lake Holiday neighbor:

Earlier this week, I filed a suit in Frederick County seeking to overturn the election of directors that took place at our Annual Meeting in October of 2006.

In order to explain how my lawsuit, which challenges the election based upon what I believe to be voting irregularities, affects you and your property, **I am holding a community meeting Saturday, May 26th at 10 AM at Reynolds Store Fire House on Route 522.** I have asked my lawyer to provide a brief explanation of the issues raised in my lawsuit, which surrounds the October 2006 election. I urge you to attend.

I do not believe that the outcome of the October 2006 election was determined by votes cast by individual members. Instead, I believe that the 5 people elected to the Board were elected by votes cast by Lake Holiday LLC for lots in the Trust Property. (I believe this entity and Lake Holiday Land Inc. are controlled by Miller & Smith, so I'll refer to them by that name from this point forward.) My review of several association documents indicates that the voting rights for the Trust Property lots were long ago traded away for an exemption from the payment of dues. I have been a resident at Lake Holiday since 1999, and this "no dues but no vote" policy regarding the Trust Property has been well understood in the community for years. Former officer and current director Pat Shields explained this policy at a public meeting back in 2003, shortly after Miller & Smith purchased the Trust Property. Mr. Shields and others said that dues and votes come after a lot is transferred to an individual. The October 2006 election results were in direct violation of those representations.

I believe legal intervention is required to cure the problems with the 2006 election. I believe the behavior of our directors is important to the proper functioning of our community.

Prior to filing my lawsuit, I presented my concerns both in writing to the LHCC President and several individual board members. Unfortunately, I received the same dismissive and noncommittal response that sometimes characterizes our Board's treatment of those asking questions. Since I do not believe that our Board has protected our voting power, I filed my lawsuit to insure that my vote as an individual member still counts and to make sure that the bargain of "no dues but no vote" that has benefited the Trust Property owner for over 22 years is kept.

I began my effort to understand the voting outcome just days after the October election. In the summer of 2006, Miller & Smith amended the deed of dedication for Section 10, one of the sections which is a portion of the Trust Property. At the same time, Miller & Smith amended the deeds for substantially all of the sections comprising the Trust Property. Starting in the months just before the October 2006 election, Miller & Smith paid dues for the Section 10 lots, and they cast votes for them in the October 2006 election. Despite amending the deeds for substantially all of the sections of the Trust Property, to the best of my knowledge, they have not paid dues for those other lots.

In 1984, our Association settled a lawsuit it initiated against the finance company of the original developer of Lake Holiday. The agreement that settled this old case, the 1984 Settlement Agreement, provided that the owner of the Trust Property would not be required to pay dues but would also not have voting rights for those lots. This agreement is so much a part of our community's history that it is on our Association website. The owner of those lots has enjoyed this "no dues but no vote" policy for over 22 years. During the lean years, those dues could have benefited our Association.

While Chris Allison was President, the rules were rewritten in the months just before the October 2006 election. Past President Chris Allison insisted that the deeds for our sections must be amended at large in the June 2006 governing documents vote, but Miller & Smith was permitted to amend its deeds of dedication section-by-section. Despite his representations concerning our lots, past President Allison advised director Margie Hoffman that the change to the documents for the Miller & Smith lots “was and is not a Board issue.” Although I and other members have communicated our serious concerns to the LHCC Board, to my knowledge, the Board has done nothing to address them. The Board refused to provide me with a copy of the legal opinion that it obtained on the legitimacy of the vote. I have even met personally with individual directors to discuss my concerns, but they have done nothing.

I believe that if we, as individual members, do not succeed in re-affirming the no-voting status of the Trust Property, we will have lost voting control over our Association and control of our community’s direction. The Trust Property represents approximately 650 lots that I believe will most likely be voted together. Do you ever recall any candidate in a Lake Holiday election capturing more votes?

I also believe that allowing the no-voting status to change almost overnight is grossly unfair. The owner of the Trust Property has enjoyed not paying dues for over 22 years. It’s simply not fair that Miller & Smith was permitted to start paying dues just before an election and was only required to pay dues for enough of the Trust lots to determine the outcome of the election. Since Miller & Smith amended substantially all the deeds of dedication for the Trust Property with essentially identical language, it should pay dues on all sections equally. Moreover, since the ownership of the lots has not changed, which, under the Settlement Agreement, would be the triggering event for the payment of dues, the owner of the Trust Property should not be permitted to elect when it wishes to pay dues or how much dues it pays in exchange for voting rights. I believe that the Association should strictly enforce the terms of the agreement and not permit Miller & Smith to pay any dues or grant it any voting rights for Trust Property lots. If the Association does permit it to pay dues, it should require Miller & Smith to pay all dues (including past dues from the time that the owner purchased the Trust Property) for all such lots so that the Association may properly benefit under the terms of the agreement.

To better understand how these voting issues affect you and your property, **I am holding a community meeting Saturday, May 26th at 10 AM at Reynolds Store Fire House on Route 522.** Again, I urge you to attend.

My lawsuit is an important first step, but I need your support. I’ve enclosed a Letter of Support for your signature. Please sign and return it to me in the enclosed envelope. I plan to organize these letters, and present them to the Virginia Attorney General, the Commonwealth’s Attorney, the Frederick County courts, and our elected officials to encourage them to investigate our governance problems.

I hope that our Board supports my lawsuit because it will preserve the voting power of individual members at Lake Holiday. I hope that our Board does not spend our dues money to defend changes that have significantly reduced our voting power. In addition to returning the letter of support, please take a moment to call our General Manager Ray Sohl and communicate to him that our dues money should not be spent to protect the reduction of our voting power.

Even if you plan to attend, please take a moment to sign the Letter of Support and return it to me today in the enclosed envelope.

Sincerely,



Bill Masters

511 Northwood Circle

Cross Junction, VA 22625

540-539-1361 (mobile)