

LAKE LACKAWANNA INVESTMENT COMPANY
197 LAKE DRIVE
STANHOPE, NEW JERSEY 07874

June 20, 2001

To Our Stockholders:

The past year has presented some unexpected challenges for the Board of Directors of Lake Lackawanna Investment Company, but we have handled them well. Nature dealt us a blow on the night of August 12, 2000, when we received a massive amount of rainfall. Surrounding towns such as Sparta and Jefferson suffered far more damage than we did, but we were not entirely spared. We were fortunate that our dam withstood the tremendous amounts of water caused not only by the heavy rain, but also by added inflow attributable to the collapsed dams at Seneca and Tomahawk lakes. Any of our residents who visited Seneca Lake in the ensuing days could see the tragedy of a lake turned into a field of mud. The most noticeable impact to our community has been the collapse of the Lake Drive bridge at the upper end of the lake. Our Mayor-elect has informed me that it will take another year to replace the old one-lane bridge with a new two-lane bridge.

The State of New Jersey mandated that inspections of all dams be performed by licensed professional engineers. The initial requirement called for all inspections to be completed by December 1, 2000, but we received an extension to April 30, 2001. LLIC is fortunate that Skot Koenig, who heads our Forestry Committee, works in the engineering field. Skot located an engineering firm that would perform the study, while allowing Skot to perform a significant amount of the work for us. This reduced our fee significantly. Our report was completed and forwarded to the State of New Jersey on April 27, 2001 – 3 days ahead of the deadline. We will have to perform future dam inspections and develop an emergency action plan. There is also the possibility that the State of New Jersey will request additional data for the recently-completed study. We will address these issues as they arise.

Operationally, last year was a good year, with our fourth consecutive profit. We ended last year with 138 net members, a recent record. That record has already been broken this year, with a current membership roster of 142 families (and more expected). We are striving to respond to residents' questions and suggestions. This year's membership package included a survey developed by Pat Ferrigno, one of our newest directors. Residents requested improved playground equipment at the beach. We installed a new jungle gym, which has been well-received by our members. Residents are also concerned about the effectiveness of our weed treatment programs. We requested and received better reporting from our herbicide contractor. We also followed their suggestion to use SONAR, a chemical that has worked well at other lakes in the area. Initial results have been favorable, with water lilies dying and less growth of other types of weeds.

We remain committed to dredging the lake, but this requires locating a buyer for the sand, gravel and peat which lies beneath our lake bottom. We appreciate the support of our shareholders and our members as we try to operate LLIC for the benefit of both of these groups.

Respectfully submitted,

Lake Lackawanna Investment Company

Richard A. Volk, President
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