

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

July 5, 2002

To Our Stockholders:

Every year we report to you that we have had successes and challenges in operating Lake Lackawanna Investment Company for the benefit of shareholders and residents. The past year was no exception. We achieved a membership of 149 families last year, exceeding all recent prior records. Membership for the current season is approaching 140 families, which reflects new families joining and other families switching to maintenance status, which affords no use of our facilities.

The greatest challenge of the past twelve months dealt with the expiration of the golf course lease on December 31, 2001. Our Clubhouse Committee held a series of meetings with the incumbent tenant (Frank Greatorex of Grex Inc.) and with prospective new tenants. Discussions covered areas such as use of phosphate-free fertilizers, programs for our youth, and a clause in the prior lease, which obligated LLIC to purchase Grex's equipment at the end of the lease. Negotiations continued well into 2002. The final outcome was selection of a new tenant, Mike Byrne of MMCJ Enterprises Inc., who began operations in April. The resolution involved a lump sum payment to Grex Inc., new tenant purchase of Grex's equipment and rent concessions to MMCJ, due to the issues, which delayed the tenant in opening for the 2002 season. I believe that all parties are relieved that the issues have been resolved.

We continue to be subject to monitoring from the State of New Jersey regarding dam maintenance and safety issues. The current dam safety compliance requirements include maintenance and minor repairs, engineering studies, an operation and maintenance plan, and an emergency action plan. We have advised the New Jersey Division of Environmental Protection that these issues will be completed during 2002 and 2003.

While the dam safety issues will require expenditures of funds, we are currently discussing leasing land behind the clubhouse/golf course parking lot to Verizon Wireless for a cell tower facility. If the project proceeds, we will receive rental payments from Verizon plus additional payments if other carriers lease space on the Verizon tower. The tower will benefit us with added income and also benefit the community, since cell phone reception in this area is limited.

Financially, last year was a good year, with our fifth consecutive modest profit. We continue to recruit directors who represent a cross-section of our community in terms of family age/size and occupation. One of our newest directors works in the insurance industry and has already made valuable suggestions resulting in increased coverage at lower premiums. Several of our directors have expertise that is proving useful in our discussions with Verizon on the cell tower. Our clubhouse is air conditioned due to the continued hard work and skill of members of the Clubhouse Committee. Our directors volunteer their time to make Lake Lackawanna a better place to live, which enhances the value of LLIC facilities. Our ultimate goal is to find a way to dredge the lake at an affordable price.

We invite you, our shareholders, to attend the July 26<sup>th</sup> meeting. You will have an opportunity to ask any questions and to meet several of our directors

Respectfully submitted,

Lake Lackawanna Investment Company

Richard A. Volk, President  
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