

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

July 1, 2003

To Our Stockholders:

The year 2002 was especially challenging for the Board of Directors of Lake Lackawanna Investment Company. Our new golf course tenant opened late because of transition issues, resulting in abatement of two months rent. Our prior general liability insurance carrier declined to renew our coverage, due to a reassessment of their business model as a result of 9/11 and the floods of August 2000. Thanks to hard work by director Angela Duguay and our new insurance agent, we were able to obtain coverage from Nationwide Insurance. Our premium skyrocketed from approximately \$10,000 to more than \$20,000, but the coverage is essential. With Angela's help, we have changed our workmen's comp and clubhouse insurance to obtain better coverage at lower rates. The overall impact was a loss of \$11,000, following five years of modest profits. We have succeeded in raising dues for the 2003-2004 season to cover increased costs while retaining last year's membership level.

2002 was one of the best years of beach operations we have ever experienced. We had a contingent of 5 lifeguards who worked overlapping schedules to provide excellent coverage, afford breaks during shifts, and monitor badge compliance. Four of the lifeguards have returned for the 2003 season. We will have two lifeguards on duty most weekdays with one guard on weekends. We found last year that beach attendance was greater on weekdays than on weekends. If this pattern changes during the coming season, we will adjust weekend staffing. We owe a debt of gratitude to Coleen Utter and Angela Duguay plus other directors who assist them. Two directors who avoid the limelight are Hank Runne and Regis (Guy) Ralph Jr., who can frequently be spotted mowing the grass or performing other tasks to help keep our properties attractive. Our two newest directors, Joel Buis and Tom Valiante assisted in delivering and spreading new beach sand.

Our three largest expense categories are real estate taxes, insurance and weed treatment expense. For 2003 we are supplementing chemical herbicide treatment with barley straw for algae control. Many directors assisted Gary Dmoch, Jay Bacco and Guy Ralph in dividing standard bales into mini-bales wrapped in netting, which have been positioned in shallow areas of the lake. The barley straw releases microbes in the water which feed on the same nutrients as algae. We are hopeful that this program will reduce our dependence on copper sulfate for algae control in future years.

Last year we reported that Verizon Wireless is interested in installing a cell tower facility behind our clubhouse. Verizon has encountered some resistance from Byram Township, which wants proof that there are no suitable existing sites available, such as high tension electrical towers. We are hopeful that ultimately the tower plan will be approved. Byram Township is exploring "Smart Growth" initiatives, under which they might want to purchase development rights to our lake bottom and woodlands in exchange for a cash payment and a reduction of taxes lake bottom taxes. Byram would like to discuss this topic at our August 19th Board meeting. Your Board will research these issues carefully and seek stockholder approval prior to finalizing any transaction, since development rights sales could impact stockholder value.

We invite you, our shareholders, to attend the July 25th meeting. You will have an opportunity to ask any questions and to meet several of our directors. If you no longer live in the area, we urge you to consider selling your stock to new residents. We were recently able to locate stock for seven non-shareholder directors and would like to locate additional shares for directors or other residents who are not currently shareholders.

Respectfully submitted,

Lake Lackawanna Investment Company

Richard A. Volk, President
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