

Valued Owners just a quick update to let you know we are getting closer to the funding requirements needed for both the Swimming Pool and Sewer Treatment plant projects. We wanted to thank you and let you know we appreciate your efforts in this undertaking.

FAQs

Sewer Questions

Why do we need a new Sewer Treatment plan? Essential point is the Federal and State Waste Water discharge requirements have become more restrictive over the years. We have worked diligently to meet those requirements over the years however, with the combination of more restrictive standards and increase in usage we have not and will not be able to comply. Our first facility built in 1982 was designed for 30,000 gallons per day. This facility was upgraded in 1993 to a design flow of 60,000 gallons per day. A flow meter was installed September 2015. Wastewater flows vary from a low of 3,400 gallons per day to a high of over 220,000 gallons per day. Flow during the month of July 2016 averaged more than 130,000 gallons per day for the entire month. Please note that in past years even with increased usage we have been able to meet standards however, with the more restrictive codes we can no longer meet the requirements.

What happens if we do not build a new treatment facility? The answer is simple, the State will close the Resort until we meet requirements. Our current permit expires November 1, 2018 so to avoid closing the Resort we must have a new treatment facility operational by November 1, 2018.

Is this unique to LVL? Certainly not. Various Municipalities in our local area and State wide are in the same waste water discharge situation as we are.

Have we exhausted all means to maintain the treatment facility? Absolutely, in fact both the LVL Maintenance Manager and the MAR Maintenance Manager go to schooling and maintain State certification. Thru out the years we have updated and fixed the treatment plant and have exhausted all avenues to avert this problem. However, with the Federal and State regulatory requirement tightening over the years we have reached the point (and MECCO agrees) that we must replace the facility. All of us recognize the importance of protecting our investments and keeping our facilities in good operating condition; unfortunately, there comes a time when repairs no longer suffice and replacements must be made.

How many bids have you gotten for the Sewer Treatment Plant? We have received design options coordinated thru MECCO engineering. Based on the studies conducted by MECCO they have given us their recommendation on how to proceed. We are to early in the process to put the Sewer Treatment plant out for bids. We have just recently submitted our application for the Antidegradation Review Summary for Public Notice then we will accomplish the Request for Geohydrologic Evaluation of Liquid-Waste Treatment facility/site. Then MECCO will complete their report and submit to us for review prior to the finished report going to DNR. DNR approves the facility plan and then we can move forward with

the design phase. So probably after DNR approves the facility plan we can move forward with a request for bid. The whole process is on about a nine-month time table.

What is MECCO Engineering's role in the process? We sought out one of the most highly recommended companies which specializes in Sewer Treatment facilities. MECCO engineering has conducted a yearlong study of our usage, flow rates and our compliance with the State of Missouri. MECCO also serves as the interface between Lost Valley Lake (LVL), construction, and the State of Missouri to obtain the applicable permits and reports.

Why doesn't Riata Ranch have a separate sewer system? To be clear there are only three LVL Owners who reside on Riata Ranch which has not lead to the sewer treatment plant problem. The sewer plant has had problems for years prior to Riata Ranch being developed. Each time the plant had an issue we would make repairs to comply with the ever-increasing requirements placed on us and other communities by both the Federal and State governments. Please keep in mind the Riata Ranch members are also LVL Owners who pay their dues just like the rest of the LVL Owners. There are three full-time residents in Riata which does not account for the issues the treatment plant have faced for years.

Would like to see capacity plan from DNR. In the prior mailing part of this was explained. If specific Owners would like to see the proposed plan they may pick them up at Reservations.

Pool Questions

Why do we even need an outdoor swimming pool? Simply put, the outdoor swimming pool is one of the most popular amenities LVL has. Our outdoor pool is thirty years old and has served us amazingly well. However roughly, ten years ago, problems developed. The acrylic walls, the concrete floor, the patio, and steps used for entry and exit all began to crack. In each instance, repairs were made immediately. Concrete zero depth entry and exit replaced the steps. Acrylic walls have been patched with fiberglass and marine grade sealants. The concrete was also patched. Each repair was performed with the intention that once it was repaired, it would never again be a problem. It is pleasing to report we have done relatively well in this regard. In spring 2016 however, a new leak arose and it showed itself to be the worse leak to date. The pool is now leaking 1,000 a day and upwards of 10,000 gallons of water per day. For example, in filling the pool this year we pumped in water for 120 hours and let the pool sit for 120 hours and had a zero gain. After 120 hours, the pool leaked back to the original starting point.

Have we consulted with professionals regarding the pool? Yes, we have consulted with professionals in the pool industry during the fixes we have performed, additionally, we have hired contractors to perform some of the repair issues for us. Furthermore, we have consulted with various leading pool industry experts to garner their input on the issues we face.

How many bids have we received for the swimming pool? This project is out for bid. We currently have one bid and a conceptual drawing which is posted on your website, lostvalleylake.com.

LVL says no pool plans have been drawn up. This is not correct. LVL currently has one quote and a drawing – so the cost was not determined by an artist conception. LVL has requested bids from six different companies so the scope of the current quote may change. LVL shared the current cost estimate based on the quote that was received at the time.

Will Owners have a say in the new pool? LVL would love and welcome input from the Owners on what they would like to see for the new pool.

Has there been an increase use of the pool? Yes, as we have grown usage has increased over the past thirty years. Attendance at the pool for 2016 was on par with what could be considered average to slightly above average for a given year, yet we had to dispense 30% more chlorine to meet demand.

Why was it (I am taking it that we are speaking of the pool) not considered at the time of the Sports Arena fire. As previously stated in the information shared regarding the pool the leaks and issues with the pool have been considered and fixed as each problem arose. The current leak is beyond our control and the thirty-year old pool needs to be replaced. In March of 2017 a second company has been contracted to provide another look into the leaks and help determine if the pool is safe for use prior to opening the pool for the season.

Is the pool really leaking 10,000 gallons a day? Yes, the pool does leak upwards of 10,000 gallons of water per day – on the extreme side of things. As an example, we filled the pool for 120 hours then stopped. 120 hours later the pool had leaked to the exact spot where we started filling. It appears as the weather warms things seem to expand and the leaks slow to a more manageable pace. American Leak Detection has been scheduled times to inspect the pool – each time they have cancelled due to inclement weather. We will continue to investigate the pool.

Will the pool have to be closed for the summer if we don't get enough money because the sewer would be the first to be replaced as it is essential? As far as priorities go yes, the sewer treatment plant is the priority. We are currently in the enforcement phase with the State because our treatment plant does not meet their requirements. If we do not move forward with our plan to bring the treatment plant up to the State's requirements then we will be penalized daily for non-compliance and eventually the State will cease our operations.

Pool/Sewer Questions

Is Mid-America Resorts (MAR) contributing to this process. Yes, MAR and LVL are committed partners and have been for thirty-five years. In fact, MAR funded and built the original treatment facility, and turned it over to LVL. Although this property and facility had been turned over to LVL, MAR in 1993 funded the second treatment plant. MAR will be contributing / donating the equipment needed for the excavation for this project.

What will happen with funding if the projects come in under budget. We would love for this to happen and will strive for this goal. If extra funding is realized the Board will spend the funding only on other capital improvements needed on the park (e.g., roads, roofs, etc.). This will allow the Board to help maintain our Maintenance Fees at the lowest possible level.

Can we pay for the cost for these projects without any increase? As nice as that would be the answer is no. Unfortunately, our Maintenance fee budget cannot absorb the cost of these necessary projects. This past year, as has been the case for the past few year, the Club, through its annual dues, has been able to meet budgeted operating costs despite large increases in utilities and repair of common areas.

If Mr. Gentry still owns 51% what is he paying towards repairs and renovations. The Developer does not own 51%. Let's keep in mind that the Developer built every building, road, facility, all the

infrastructure to include two sewer treatment plants and gave them to us the Owners. It is our responsibility as Owners to maintain our Resort not the Developers.

If Associates use the park why were they not hit with some of the fees for the repairs of the sewer and pool? Associates are not Owners and do not share in the responsibility as Owners do to pay the annual Maintenance Fees and Capital Improvements of the Resort. The Board does understand your position however, the By-Laws do not require Associates to pay Maintenance Fees.

Where do we stand on the pool and the sewer – how much will we be short? We currently have \$1,325,000 set back minus a projection of \$550,000 for the pool and minus \$1,677,398 for the sewer and we are looking at being short (as of today) 902,398. This will be updated once we finish April's books.

Fees Questions

Why were we not given notice of the increase? Simply put the Board too was not given a large lead way of time to consider future actions. For example, the engineering company finished their report and immediately meet with the Board on January 18, 2017. The maintenance fee statements were already late in being mailed pending the regular Board meeting scheduled for January 21, 2017. With only three days' notice and time being of the essence the Board considered the engineering company's proposal and moved forward with their decision. The dues increase was discussed with Owners who were present at the January 21 Board meeting. Additionally, notice was mailed in November to Owners from the Resort Manager advising what future projects for 2017 would be determined by what needs to be done with the sewer treatment plant.

Will my Dues / Maintenance Fees increase in 2018? The Board of Directors is committed to maintaining the dues at the lowest possible rate while also protecting the health and welfare of LVL and maintaining our excellent rating in the camping industry. The Board anticipates the short-term dues increase will be sufficient to cover the cost of the sewer treatment and swimming pool projects. With that said, if funding for these two projects falls short the Board will revisit dues for 2018.

Why were the dues not separated and the dues left normal? The 2017 increase was a dues increase not an assessment. Therefore, the dues were billed as they are as dues.

Is there a better way to bill Owners? What are your suggestions. Currently, the statements are mailed out in January and are due March 1 of each year. Then a second statement is mailed typically in March with the dues becoming delinquent March 31 of each year. Payment arrangements are always available thru the Credit Department. This year given the circumstances surrounding the increase all late fees have been waived if you are set up on a payment plan.

How is this going to affect them as they make payments throughout the year so their dues are paid in full before new bill come out? Payment arrangements are available by simply contacting the credit department at 1.800.489.2100. Payment arrangements have been available for many years and used by Owners. The policy as it has been for many years is your dues must be paid in full to use on a major holiday. If you do not make monthly payments, then you will not be allowed usage of the Resort.

Why could we not have given something better for the extra money like split it up into payments, why did they have to wait till everyone screamed. I am not sure of the question so I will take a stab at it.

Nothing has changed since the Board's original guidance. Dues increased, payment arrangements have been in place from the very first mailing – in fact the dues statement even states “payment plans are available, please contact a customer service representative for further assistance.” The Board also chose to waive late fees for the Owners – in 2016 the Resort collected \$75,000 in late fees which we have waived in favor of our Valued Owners. Additionally, based on the timing to start and have both projects completed the Board could not wait for multiple years to secure funding.

Where is all the money that is paid into maintenance going? Why is it not being used for the sewer and pool? Our Dues / Maintenance Fees are used for operating expenses and to maintain, repair and replace, when necessary, improvements, facilities, and recreational areas. This past year, as has been the case for the past few years, the Club, through its annual dues, has been able to meet budgeted operating costs, despite large increases in propane, electric, lawn maintenance and common area repair. Also, this past year, the Board has realized that it is necessary for the Club to re-invest in the operation, improvement, and maintenance of the Club and the Club property. The sewer treatment plant and pool projects require the Club's immediate attention at an estimated cost of \$2,227,398.00 above our normal budgetary operational requirement.

Where is, the extra money going every year that is not used? Typically, all funds are used. However, if there are any un-used funds they will be carried over to the next year to help offset the next year's budgetary shortfalls. With that said operational needs and improvements use all funds in the given year.

Owners want to see where all the money goes. The financial statement sent out now is not broken down enough. The financial statement is in accordance with standard accounting practices and is prepared by a certified accounting agency.

Where is the interest revenue? The accountants typically group this with income.

What happened to all the insurance money from the fire? Lodge fire - The Lodge structure was built plus the indoor swimming facility and the Restaurant. Activities Center fire – New Lake Expo was built.

Why did the cost go up so much for Associate cards? The increase was based on feedback from Owners. Owners were concerned that they were not able to make reservations because of an increase in associate usage. Additionally, most issues/problems/damages are the result of Associates. By increasing the cost to associates damages on the Resort has decreased.

Is there a certain number of associate cards allowed per family? No – per adult over the age of 21 listed on the associate usage form.

Why are the transfer fees \$1,500? As Lost Valley's Marketing and Sales agent, Mid-America handles the transfers of Ownerships for Lost Valley Lake. The \$1,500 has been in effect for 3 years now. After 30 years, the fee was raised to cover the cost of labor, utilities, deed work, supplies and overhead expenses. After surveying various resorts in our industry our rates are not the highest nor the lowest but moderately priced. What we have seen since the increase is the number of non-paying dues Owners has decreased because of the increase – prior to the increase approximately 20% of the individuals that purchased a transfer did not pay their dues. Furthermore, the increase is protecting the value of our Ownerships. Prior to the change, Ownerships were being given away for free.

What happens now that so many Owners have either left LVL or are not paying? Mid-America is working to increase their sales efforts to replace, with time, those dues paying Owners who left LVL. Regarding those non-paying Owners who are still on the books, the Credit department is currently in the collection phase and will one set Owners up on payment plans and allow 30 days of usage with each payment. Major Holidays will not be allowed unless their account is paid in full. For those Owners who do not pay they will be sent to a third-party collection agency and non-payment will be listed on their credit for a period of 7 years. The first batch being sent to an outside collection agency will happen the middle of May and every 30 days thereafter.

Are we going to start setting aside money now for any future problems so this does not happen again? Lost Valley Lake does have a Capital Improvement Fund (Reserve). Many years ago, the Board voted to place 3% of the maintenance fees into the Reserve account. Over the years, the Board has used these funds for various capital improvements. Unfortunately, there have been times when we have had to pay Peter to pay Paul. On occasion, immediate operational needs of the Resort have required expenditures from the fund. As of the end of April the Reserve account sits at \$78,000.

Repair/Upgrade Questions

The roads were supposed to be finished but there are many roads worse than others. LVL is repairing the roads. This is a multi-year project. Road repair is being done out of the operational budget and done as funds are available. Road work has been completed from the entrance to the to the top of the “S” curve, in front of the indoor swimming area past Lake Expo, up to the 600/700 area, the entire 600/700 area, villa area, both condominium parking areas, road leading down from condominium area and the sales parking lot. This year work has begun from the “S” curve past the Lodge, up past the old bathhouse and tee-pee area.

Playground equipment needs updated. Yes, we agree however, once again the budget can only sustain a limited amount of expenditures. Major projects such as roads and the infrastructure of the Resort currently are at the top of the priority list.

Jumping pillow needs a canopy over the top of it so that it does not get to hot. Good idea again this is a budgetary issue.

Indoor swimming area needs heat to be on when open in the winter time. There is heat in the pool area – provided by infrared heaters.

Have toys and pool accessories available to buy in the pool areas for people that have forgot them. We think this is a great idea in fact we currently sell floaties, ear plugs, goggles, nose plugs and swim diapers we also have towels to rent

Condos need furniture updated. We update furniture yearly according to need. Some piece’s need replaced before others.

Condos needs air fresheners in the rooms so they don’t stink. We use a product named Linen Bomb, we also use electrical plug ins. We have reached out to a company that provides a product to help with this – we will test the product and see if the results are positive. We are currently experimenting with several options to include: dehumidifiers in the lower units and linen bombs.

Bathtubs need to be handicap accessible. We have six handicap units with bars. Three of the six are walk in showers. Three of the six also have handicap seats.

Picnic tables need to be power washed. We currently have a staff member who is working on repairing and staining the picnic tables. In the last two years – three quarters of the picnic tables have been power washed.

Rental campers need to be power washed. This is a multi-year recurring process. In 2016, we had 75 completed and for 2017 we are scheduled to have an additional 34 completed. The only remaining rental RV units to be power washed or the units in the 600/700 area.

Rental campers need to be fixed up. In 2016, we replaced 28 roofs. Each year our maintenance team goes thru and repairs issues with the campers. In 2017, we are experimenting by gutting two camper units and rebuilding them

Why does it take so long to get things done around the Resort and why are the rental trailers so moldy? Good question. Things to consider are the major projects on-going at any given time, usage by Owners, Associates and Guests which requires the staff's response, coupled with a limited staffing and a stretched budget. Rental RV's are gone thru unit by unit each year and are fixed and repaired. Replacing roofs and floors are always done as needed and recurring each year. This year as an experiment we have gutted two rental units and are flipping / rebuilding them with a new floor design.

General Questions

Why was the camping area by boathouse closed? This area was closed because of non-usage. It also required additional cost for upkeep of an area that was not used. Furthermore, this area was becoming known as a "party" area. The two areas that remain open are the two that are near bathhouses for your convenience.

Owners would like to know when the Lodge will be finished. LVL would love to finish the Lodge. However, given all the amenities the Resort currently has there is no current plans on what to use the Lodge for. The lower part of the Lodge is open and functional for our use. Additionally, the Owners priorities have placed road and infrastructure repair at the top of their list. Given budgetary restraints the budget now can simply not support finishing the top part of the Lodge without imposing a major increase in our annual dues.

Can a voting spot be added to vote on things when they are not able to come to meetings? Probably not – even with a log-in the identity of the person voting cannot be ascertained. For, example an associate may have the primary Owners log-in information and vote.

Everyone was so rude when the Owners called why? I don't think we can generalize and say every employee was rude when speaking with the Owners. Please accept our apologies if this happened to you and we will most certainly like to have privately the circumstances involving this unacceptable past of customer service. Given that please understand the following numbers which only accounts for January 16, 2017 thru March 2, 2017:

Credit incoming / outgoing calls = 7,716 which accounted for 254 hours on the phone for an average of 30 minutes per call. The credit department was working between 15 & 20 hours of

overtime to try and eliminate the backlog as much as possible. Furthermore, the credit department was supplemented with part-time help. With an Owner leaving a 15 second voicemail and the staff engaging them in a 30-minute conversation it is easy to see how the backlog happened. Additionally, this does not account for the time it took to respond to letters, run payments, meet with Owners one-on-one.

Reservations incoming/ outgoing calls = 2,625 incoming and outgoing calls which ate up 109 hours on the phone for an average of 24 minutes per call.

When does the fiscal year start and end? The Board meets each January to determine what should happen with the dues for the coming year. The Maintenance fees are billed in January and are due March 1st and become delinquent March 31st of the same year.

Why does it take so long for the Board minutes to be approved? The minutes of each Board meeting is recorded and under the current system is approved the next time the Board reconvenes. The Board is currently considering other avenues to speed up this process.

Why does the Board go into closed meetings? First so that there is no confusion on transparency, the minutes of the Boards closed sessions are published with the Board of Directors minutes from the meeting. The Board does require time to discuss with each other items of interest brought before the Board during open sessions. The Board also address personal items such as suspensions, banishment and or reinstatement of Owners which do not and should not be open to the Public.

How many are left to be sold. Currently the Developer has approximately 3,700 deeds to sell.

Should be able to reserve more even if a holiday is already on the books reserved. This is a good question and is being studied. However, we must keep in mind that the Resort must look at the health and welfare of all Owners and must make the reservation system useable to all Owners. Our objective is to accommodate all primary Owners.

Owners want to know why LVL opens the resort that clearly states Private to the public. The short answer is Public Relations. Our Resort maintains a major presence in all surrounding communities and likes to be a good neighbor. The public is invited in for special circumstances for example, the Fourth of July when the gates open at 8 p.m. for the fireworks display then the guests must leave the Resort. Another example, is a once in a life-time solar eclipse event. The Resort has given a year's notice to the Owner base to make their reservations before any public guest can use. Again, LVL is also a business that must maintain good public relations with our neighbors.

Owners would like to know if they are giving out "day passes" to non-owners. No, the Resort does not give out day passes to the public.

Drinks on the deck was open half the time last summer. This year there are nine events scheduled for Drinks on the Deck and a new function called "Uncork and Unwind" which will take place at the pavilions near the Restaurant and the Lodge deck and patio.