



Daylesford Lake Condominium Association
183 Daylesford Blvd,
Berwyn Pa 19312
(610) 407-4347

October 6, 2007

Re: Notice of Monthly Association Fee Increase to \$395 starting on November 1' 2007.

Dear Homeowner:

Effective November 1, 2007, the Daylesford Lake Condominium Association monthly fee will increase \$75, from \$320 to \$395. This increase in fees is necessary to help fund the major remediation project that is currently underway throughout the community. Details of this project and the financing for it are provided below.

Background

The Board has been working for over a year to develop a remediation plan to address the chronic maintenance issues that have been evident throughout our community for the past several years. A summary of actions is as follows:

- **July 2007 Public Meeting:** All Daylesford Lake homeowners were invited to a general meeting on July 31st, 2007. The meeting included presentations by the Board, FWH Associates and North Fork Bank, and provided details of the proposed remediation plan and financing. The increase in monthly fees was also announced. The meeting was attended by over eighty people, and nearly an hour was spent answering homeowners' questions.
- **Professional Engineering Advice:** The Association engaged several professionals, including TBS Services and FWH Associates, to advice on the proper course of action to address the maintenance issues. FWH supervised several remediation projects for the Association during 2007 to get a better understanding of the issues being faced by Daylesford Lake and to develop customized solution approaches to fit the needs of our community. The result of this work includes several technical reports, new construction specifications, and an updated reserve study that is available to all homeowners on the Daylesford Lake website (<http://www.daylesford-lake.com>).
- **Financing Options:** At the same time, the Board evaluated various options for financing the proposed work, reviewing bids from several banks in the area. The Board chose North Fork Bank as the bank that would best meet our needs.

Remediation Plan

The remediation plan proposed by the Board includes the replacement of all roofs, siding, gutters and wood trim throughout the entire community within three years. In addition, repairs will be made to all units that have defective chimneys and stucco. This work is being undertaken after an extensive analysis of the history of maintenance issues in the community over the past five years, and a detailed inspection and review of all units by our engineering company, FWH Associates. The work will be completed in three phases:

- **Phase 1:** During this phase, roofs will be replaced and chimneys will be repaired on sixteen buildings that have had chronic leaking problems. It was determined that the problems on these buildings must be addressed before 2008, and work will be completed by December 2007.
- **Phase 2:** During this phase, siding, stucco and wood trim will be repaired and replaced on the sixteen buildings that received new roofs during Phase 1 of the project.
- **Phase 3:** During this phase, building elements on the remaining buildings in the community will be repaired or replaced as necessary. These elements include roofs, chimneys, siding, gutters, stucco and wood trim. This phase will start in spring 2008 and will be completed within **two years**.

Details of the project timeline can be found in the reserve study which is available on the Daylesford Lake website (<http://www.daylesford-lake.comk>).

Financing

This section describes how the financing is structured:

- **Convert a Term Line of Credit into a Fixed Term Loan:** The project will be financed through a combination line of credit and fixed term loan. The Association has secured a three year \$7.5 million line of credit that will be used to fund the work over the next three years. The Association will only be required to pay a fixed rate of interest during the life of the line of credit. After three years, when the remediation project has been completed, the line of credit will be converted into a fifteen year fixed rate loan.
- **Amount of Loan:** The Association is not required to use all the \$7.5 million line of credit if construction costs are less.
- **Loan Repayment:** Once the line of credit has been converted into a loan, the Association will pay interest and start to pay down the balance of the loan on a monthly basis for fifteen years.
- **Loan Secured against the Association, not the Homeowner:** The line of credit and loan are secured against the future homeowner monthly assessment fees and will not affect individual homeowners' credit.
- **Fixed Interest Rates:** The interest rates on the line of credit and the loan are tied to the ten-year Treasury note and are fixed at the time of closing for the loan.

After careful review of several options, the Association believes that using this type of financing is the best way to complete the necessary remediation work and minimize the financial burden on individual homeowners.

Increase in Monthly Fees

The monthly fees are increasing for the following reasons:

- **Increased Operating Expenses and Interest on Line of Credit:** Part of the fee increase will be used to pay for higher operating expenses in 2008. The remainder will be used to pay the monthly interest on the line of credit.
- **2008 Budget:** The Association will be mailing out the 2008 Association budget before the annual meeting in November 2007.
- **Future Monthly Fee Increases:** The monthly fees will increase again in 2008 and 2009 to reflect changes in operating expenses and also the additional monthly interest on the line of credit. In 2010, the monthly fee increase will include the fixed monthly payment on the loan balance. The monthly fee in 2010 should not exceed \$530 per month, assuming a 3% rate of inflation. These increases are comparable or less than other similar communities in our area.

How do I pay the new fees?

You can continue to pay your fees through direct deposit or by mail using coupons:

- **Direct Deposit:** If you already use direct debit to pay your monthly association fees, you do not have to do anything. \$395 will be deducted from your bank account for the months remaining (November and December 2007).
- **Mail Payment and Coupon:** If you mail your payment every month, please use the enclosed coupons to make your payment in November and December. You will receive a new 2008 coupon book before the end of this year in the mail.

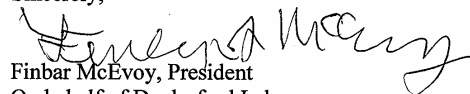
More Information

If you have questions about the monthly fee increase or the remediation project you can:

- **Attend the Annual Meeting:** Please plan to attend the Daylesford Lake Annual Meeting on Wednesday, November 28, 2007 at the Treddyfrin Township Building, 1100 DuPortail Rd. at 7:00 PM. During this meeting, the remediation plan and the budget and financing will be explained and your questions will be answered.
- **Daylesford Lake Website:** Go to the Daylesford Lake website for details of the reserve study, inspections and future plans (www.daylesford-lake.com).
- **By Email:** Email your questions to remediationproject@daylesford-lake.com
- **Call the Association Office:** You may also call Ann DiGiacomo at (610) 407-4347 or e-mail Ann at manager@daylesford-lake.com

Thank you for your patience and support in helping make Daylesford Lake a better community for all of our residents.

Sincerely,



Finbar McEvoy, President
On behalf of Daylesford Lake
Condominium Association & Board of Directors