

Captain's Cove Property Owners:

***Below is a clarification regarding the current situation that Captain's Cove is experiencing as it prepares for a potential shutdown of services by the owners of Captain's Cove Utility Company. This clarification was written by the Captain's Cove Golf & Yacht Club Board and appeared on the Cove Owners Inc. message board as a response to a few posted messages around noontime on Thursday, June 17, 2010.***

***Much of the information contained in the clarification is of interest to all Cove property owners and users of the Utility Company's services. We hope that it may fill in some of the details regarding the current situation that we are all facing.***

It has come to our attention that some postings on the Cove Owners' Inc. message board are attempting to convince the property owners to write to their public officials asking them to prevent a receivership by the CCGYC of the CCUC. While we believe that the individuals making these postings are concerned with the welfare of the Cove, you must understand that these are their opinions only – they are not aware of all of the actions that are being taken by your Board of Directors. Since this has become a very serious problem, there are some realities to the situation that we, the Board, think you should understand before writing such letters:

1. At this point in time the SCC has found no entity willing to take receivership of the CCUC, and they cannot force anyone to do it.
2. If a receiver were to be found, he/she would take over operations of the CCUC and immediately file to increase the rates to cover operations, repairs and profit. The recent events referred to in the posting are evidence of the problems with a management entity operating in its own interests rather than those of its customers. If any receiver or company other than the stakeholders (users and owners in the Cove) is in control of the utilities, we lose control of our destiny.
3. If an outsider receiver were to be found, there is a possibility that after we, the users, pay a receiver to get the utility company back on its feet, the SCC could give it back to CCUC – the same ones who got us into this mess.
4. If there is no receiver appointed soon, there is a good possibility that we will indeed have our utilities cut off – possibly for as long as 40 days. While the County and State agencies will work to prevent this, they will not take over operations of the utility or provide any funding for operations.

5. If the utility service is interrupted, it will be a lose-lose situation for all involved – (the homeowners, the Developer, any possible outside investors and the bank that holds the Developer’s notes). It would lead to a devastating devaluation of all properties in the Cove and difficulty in selling additional properties which would probably cause increases in HOA dues. That is why the Board is continuing to negotiate on your behalf.
6. The CCGYC Board is in discussions with all parties concerned to find a permanent solution to this problem. One of the options is for CCGYC to become the receiver. The Commonwealth, if so desired, would make such an action with the full knowledge of the community’s ability to provide service to its people and the knowledge that they are the users of the service. Thus, no decisions by the State agencies are made lightly.
7. It is not the intent of the Board to operate the utility. If we do take receivership, we will have the utility operated by professional experts in the interim, and then form a corporation that ensures that the interests of the users and the community are served. Yes, rates would have to be increased to get the utility up to standard, but at least the users wouldn’t be paying a profit to an outside entity.

The Board has already taken precautionary and planning measures though its outside experts to coordinate an emergency plan for the system to be operated professionally through its associate experts and the governing agencies of the Commonwealth of Virginia.

We understand that this is an emotional situation. However, points of view without the reality of the circumstances can lead to irrational actions, when what is needed now is careful consideration of both the short and long term outcomes. We, the property owners and utility customers of the Cove, are the stakeholders and therefore the ones who must be served. Simply stated, we have the most to lose or gain in such matters. Your Board of Directors is making every effort to represent you and bring this to a conclusion that leads to a vibrant community that can be enjoyed by all of its residents for many years to come. We believe that it is important for our elected officials and public agencies to hear a consistent and cogent message from Captain’s Cove, so we ask you to have faith in the Board to do what is right and consider the potential negative impact of writing the letters suggested in the recent COI posting.

Some people in Captain’s Cove believe that doing nothing, and accepting the inherent loss of services, is the best course of action; and that given due time, the government will take over, and solve the problem for us. We have been advised by State and County agencies that there is no viable solution that does not involve active participation of the Home Owner’s Association. .The Board has

examined all courses of action, and finds the cost of doing nothing, the uncertainty, and the potential dire consequences to be unacceptable.

We have been diligently working to create and maintain a mutually positive and collaborative relationship with the multiple state agencies and our elected officials. They are doing their best, within the confines of the statutes and regulations to which they must adhere, to achieve the best possible solutions to this crisis.

Going forward, we, the users of the water and sewage treatment facilities of Captain's Cove, need to maintain a positive relationship with the agencies and departments that regulate the utility operations. We ask that you work with us to maintain that relationship.

Hopefully this message has shed some light on the current situation. We will continue to keep you informed to the extent possible. Thanks for your understanding and support.

Sincerely,

The Captain's Cove Board of Directors