

May 12, 2016

Hidden Cove Owners

Re: SWDC Water Meeting and Hidden Cove's Water Supply

Dear Hidden Cove Owners:

The Board of Trustees (the "Board") of the Hidden Cove Owners Homeowners' Association (the "Association") is writing to let you know about the state of affairs between the Association and Summit Water Distribution Company ("SWDC").

You may recall getting a letter from the Association's attorney on this issue prior to the SWDC annual meeting. As he stated, in 1987, the Association and Hidden Cove signed a Water Service Agreement, wherein Hidden Cove agreed to transfer water shares worth 15 acre feet of water (the "Water Shares") to SWDC along with ownership of the water distribution system in Hidden Cove. In return, Hidden Cove received sufficient stock in SWDC to supply water to the homes in Hidden Cove, and SWDC assumed the obligation to maintain the water distribution system.

The important thing to realize about this swap is that there is a difference between a **Water Share** (which Hidden Cove had) and **Stock Shares in SWDC**. These are entirely different things. Hidden Cove was supposed to transfer its water shares to SWDC. In return, each Owner in Hidden Cove received a "stock share" in SWDC. The stock share in SWDC entitles you, the homeowner, to get water from SWDC. The water share was supposed to entitle SWDC to pull water (to send to the homeowners).

Although Hidden Cove and SWDC have been operating under this system for many years, it now appears that Hidden Cove never formally transferred its **Water Shares** to SWDC, even though all of the Hidden Cove Owners received their **Stock Shares in SWDC**. Furthermore, Hidden Cove never transferred title to the water distribution system to SWDC, either.

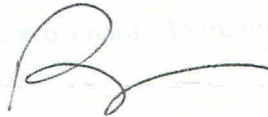
As you may have heard, the water distribution system in Hidden Cove is very old and in need of significant repair. SWDC has represented to me that this repair could cost in excess of one million dollars, and possibly as much as two million dollars.

SWDC has now asked the Association to formally transfer title to the Water Shares and water distribution system to SWDC. This should have happened after the Agreement w:

1987. Your Board wants to avoid anything that could slow down SWDC's repair of our water system, and the Board therefore decided to sign the requested deeds. Now that title to the water distribution system has been formally transferred to SWDC, we hope that they will begin repairs as quickly as possible. To be clear, this DOES NOT AFFECT your Stock Shares in SWDC. We are not asking for your stock shares, and you do not need to do anything with your stock shares.

If you have further questions about the SWDC, the Water Shares, your stock in SWDC, or please feel free to contact me. We also ask for your support in speaking to SWDC to address the issues in Hidden Cove.

Sincerely,



Erin Ferguson, HCOA President
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