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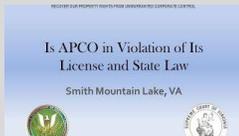


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This news letter will exceed our one page self-imposed limit ... so we can provide more background on the History of Smith Mountain Lake ... These profitable land sales represent the true intentions of the parties at the times the flowage easements were granted.

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APCO STAFF PROFITED ON LAKE DEALS

Date: January 8, 1990 Section: VIRGINIA Page: A1

By David M. Poole Staff Writer

In the late 1970s, when lot prices at Smith Mountain Lake rose beyond everyone's expectations, spectators best a path to the manmade reservoir. Gone were the days, however, when you could snap up waterfront farms for as little as \$30 an acre. Some entrepreneurs had been lucky enough to get in before Appalachian Power Co. completed the lake in 1966. A few had more than luck.

A half-dozen Apco employees who had gross access to in-house land surveys and maps started buying farms even before the federal government approved plans for the hydroelectric project in 1960. The power company reportedly put a stop to the practice in the early 1960s, but not before a few Apco employees had bought acreage that later would be worth a small fortune.

Roy E. Martin, who supervised Apco's team of land buyers, paid \$5,000 for a 159 acre farm on the Roanoke River in 1958. Martin sold the farm in two sections in 1986 and 1988 for a total of \$475,000. Apco land buyer J.I. Gilbert Jr. set up a waterfront subdivision with part of 80 acres he bought for \$4,100. After selling 11 lots for a total of \$40,000, Gilbert left his widow acreage now assessed at \$374,500.

Not all Apco men who bought land made six-figure profits. At least six other employees sold out at a modest profit before waterfront land prices surged in the late 1970s. John Vaughan, who retired Jan. 1 as Apco president, declined to criticize the transactions, which took place more than a decade before he assumed control of the Roanoke based utility in 1973. "I was not here. I was not aware of it," Vaughan said in a recent interview. "In hindsight, I'm not going to be critical of anyone," he said. "...Conflicts of interest and appearances of conflicts of interest should be avoided. And that simply would have been my guiding light." When asked if he would have considered employee land deals a conflict of interest, Vaughan said: "I'm not going to pass judgement on that."

Apco employees' land purchases at Smith Mountain Lake some 30 years ago violated no laws or company policies. But the employees who did buy land remember that Apco executives passed down the word in the early 1960s that employee purchases of land at future Apco projects would be prohibited. Vaughan, however, said he had no knowledge of such a policy, and a company spokesman later said no written policy exists today. "The company does not presume the right to tell their employees what they can or can't do with their money," spokesman Dick Burton said.

In the late 1950s, the pick of farms along the Roanoke River basin of Bedford and Franklin counties could be had for a few thousand dollars. The area was dotted with tobacco farms on which people had been scratching out a living for generations. "The whole damn place was pretty poor," recalled Martin, now retired and living in Vinton. In the late 1950s, Martin and his men went from farm to farm describing how the power company's dam at the Smith Mountain notch would flood tens of thousands of acres along the Roanoke and Blackwater rivers. The Apco men said the company would pay farmers for the portion of their land that was flooded or buy their entire farms outright.

Many farmers, realizing the dam would inundate their productive bottom land, wanted Apco to take all or nothing. But Apco would have gone broke trying to buy every farm bordering the 20,000-acre lake. In many cases, the utility tried to buy only "flowage rights" to land below the maximum flood stage level of 800 feet above sea level. Some farmers who sold flowage rights to Apco began looking for someone to buy the land that would be left. "People were trying to get away from the water," said Herbert W. Taylor, an Apco land buyer. "They thought their farms would be ruined. You couldn't convince them that their land would be valuable one day."

Apco employees buying land for the company had the opportunity to pick up land on the cheap for themselves. Having talked with farmers in the course of their job, the Apco workers knew who wanted to sell. They also had access to in-house land surveys that depicted what the area would look like after the water rose to full-pond level. They knew which tracts would be most accessible by country roads and which tracts would have the most water frontage. It was the type of research that would have appealed to any private land speculator with the foresight to see the lake's development potential over the ensuing three decades.

Martin was one of the first Apco employees to take advantage of the situation. In 1958, Martin bought two adjoining farms on the Roanoke River totaling more than 250 acres. Real estate records in Franklin County show Martin paid \$9,000, or about \$36 per acre. Martin, now 71, said he bought the land for a weekend getaway, not as an investment. "I wanted a place to fish and hunt," he said. "For 20 years, I enjoyed it." But land prices at **Smith Mountain Lake** soared in the 1980s. Martin sold one of the farms to the developers of Winding Waters for \$475,000 in two transactions in 1986 and 1988, according to Franklin County real estate records. Some Apco employees bought the land and made quick but small profits.

In 1960, Curtis O. Robertson bought 32 acres on the Blackwater River for \$3,500. He made the money back plus a \$1,000 profit by carving the land into five lots and selling four in quick succession to friends and colleagues. Robertson sold the remaining lot in 1971 for \$12,000, land records show. Apco employee Roy M. Foster bought three acres for \$500 in 1960, then sold it three years later for \$8,000, according to Bedford County land records.

There were a few speculators in the early days of Smith Mountain Lake, although some people bought a few acres to have a place on the water. The first speculators, J. Kyle Montague and Cecil Flora, got many of their land tips from Apco land buyers. "We worked with them and they worked with us," Montague, a retired real estate agent, said from his retirement home in the Florida keys. "It was good for both of us."

By matching farmers with private investors, Apco cleared the way for the reservoir without having to buy all the acreage of each farmer whose land bordered the lake. The arrangement also gave Montague and Flora a good deal on farmland that would become valuable waterfront tracts. Montague and Flora ended up with some 1,500 acres with more than 20 miles of shoreline, Montague said.

Martin said the fact that he and other employees shared information showed that their jobs did not give them an unfair advantage over other buyers. "It was an open-door policy," Martin said. "All they had to do was ask." The two developers made Robertson their chief source of information at Apco a partner in a few land deals. In the early 1960s, Montague, Flora and Robertson teamed up to buy 58 acres in Franklin County for \$3,500. Real estate records do not show how much Robertson invested in the deal, but he sold his interest in the land for \$16,000 in 1973.

Word spread through Apco ranks about the investment potentials of Smith Mountain Lake. Land records show that buyers eventually included Apco lawyer John L. Walker, now deceased, and C. Duncan Kennedy, who later became manager of the company's Roanoke division. At the time, Apco had no policy about employees buying land for themselves in or around company projects.

But members of the company's land acquisition team say that changed in the early 1960s, when Apco began buying land for a proposed hydroelectric project on the New River. "Employees were not supposed to touch any of that land," Martin recalled. In 1976, Congress gave the New River federal protection against development, effectively blocking the project.

Herbert Taylor, the former Apco land buyer, said he thought the directive came from then general manager Richard E. Hodges, who died in September 1962. "They didn't think it was fair to the other employees of the company [for some employees] to buy land without giving everyone a chance," Robertson recalled.

Vaughan said he could find no record of any such policy. While not defending the employees' actions, Vaughan noted that any Apco worker who bought land did so "on a willing-buyer, willing-seller relationship. Vaughan also said the employees took a risk because no one imagined that land prices at Smith Mountain Lake would top \$100,000 for choice waterfront lots. "It took a long time for any land to develop around the lake," he said.

Martin said he had no idea that the lake would become a resort destination complete with condominiums and golf courses when he bought land there in 1958. In the beginning, most people saw the lake as a weekend place to camp in a trailer or launch a boat, he said. "They didn't know what was going to happen," he said. "They [Apco employees] wanted a piece of land on the water. Robertson, whose job moving cemeteries to higher ground earned him the nickname "Tombstone," said he would have bought more land had he known that an acre that sold for \$100 that now might be worth \$100,000.

Apco and the development of Smith Mountain Lake. A timeline with the following dates pointed out:

- 1954: Apco buys 5,900 acres near Smith Mountain Gap.
- 1959: Apco begins buying more land and flowage rights.
- 1960: Dam construction begins.
- 1961: Waterfront lots sell for \$1,500.
- 1963: Smith Mountain Lake begins to fill.
- 1973: Apco buys more land to assemble marketable tracts.
- 1977: Waterfront lots sell for \$8,500 to \$10,500.
- 1981: Apco sells 125acre Contentment Island for \$900,000.
- 1984: Apco sells another 639 acres for \$3.4 million.
- 1989: Choice waterfront lots top \$100,000.

Robert Lunsford source: real estate records in Bedford and Franklin counties.

Apco employee Roy M. Foster bought 3 acres for \$500 in 1960. He sold it for \$8,000 in 1963.

Apco employee Roy E. Martin bought a 159acre farm in 1958 for \$5,000. Martin later sold it for \$475,000.

Apco's speculation on this tract known as 'Contentment Island' in 1973 paid off seven years later when a developer paid \$900,000 for 125 acres.

Apco bought land as late as 1973 to assemble this 639 acre tract, which it sold to developers of the Water's Edge in 1984 for a \$3.4 million profit.

CURB COMMENT: These properties were sold and represented as waterfront, no restrictions were placed upon the lands and recreational uses were encouraged. No revocable permits or licenses were issued by APCO.