

.THE PURCHASE OF CONTINENTAL COUNTRY CLUB

For several years during the 1980's the residents of Continental Country Club tried to figure a way to purchase the Park. There were so many problems with no answers that it seemed that a purchase could never be made.

The old homeowner's association, C.C.R.H.A., Inc.¹ had only a few thousand dollars that had been collected from dues and donations. When a lender is asked for a loan the size that would be needed, the first thing the lender asks for is an appraisal. Sometime in 1987, Dean Hammond² and Adrian Neil³ met with John Springstead, the engineer, in his office in Leesburg. Mr. Springstead told them that a good appraisal would take about six months and cost about \$15,000.00 to \$20,000.00. This, of course, was out of the question for C.C.R.H.A., Inc. Another question was what type of organization would we end up as if we did make a purchase. Would we be a corporation, a cooperative society or a condominium association ?

November 23, 1987 a meeting was arranged for Dean Hammond, Adrian Neil and Charles Noll⁴ along with the accountant for C.C.R.H.A., Inc., David Logan, to meet with Dan Gordon, the general manager of Hawthorne on hiway 27 South of Leesburg. Our problems were explained to Mr. Gordon and he thought we might be able to work out a deal to buy Continental. He also told us that he knew of a law firm in Tallhassee that he believed could produce the paperwork for a cooperative and get it approved by the proper authorities in Tallahassee for about \$200,000.00. This didn't address the problem of money for an appraisal and also didn't assure us of getting financing. So, again we didn't have the answers.

One of the other problems was the fact that nearly all of the residents of Continental owned their own homes and the real estate on which their home was located. Because of contracts made between previous owners of Continental and many of the residents, there were several different monthly fees that the residents paid. On two of the lots the owners paid NOTHING. Others paid monthly fees as low as \$20.00 or \$30.00. Also a large number of residents had contracts that allowed them to pay just one half of the golf fee that was established by the owners. These contracts had been upheld in the courts, as subsequent owners of the Park had tried to have them voided without success.

Most of the parks in Florida are so called "rental parks" where the owner of the common areas also owns the lots that the residents occupy with their

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manufactured home or trailer. Then when the residents purchase the park, they are also purchasing all of the lots and establish a uniform monthly charge for everyone. Continental was different.

An inventory of the lots in the Continental complex was made March 16, 1989 and it was found that 104 lots were owned by the owner of the common areas and 796 were owned by other persons. This inventory was obviously taken because of the bankruptcy action and the fact that the ownership of the common areas was about to change. We will get to that a little later and in more detail.

It will be remembered that up until the last few months of 1989 the residents of Continental had free water and sewer service furnished by the Park owner. During a meeting with Fred Babb⁵ on June 3, 1988 he advised several officers of C.C.R.H.A., Inc. that the Public Service Commission had advised him that all lots in Continental must have water meters installed. This came about because the Public Service Commission decided that Continental Utility Company was a public utility because it provided water and sewer service to the 104 condominium units known as Sandalwood. This is stated in a letter from the Commission to Mr. Babb dated March 8, 1988.

August 10, 1988 Charles Noll, who was now President of C.C.R.H.A., Inc., Adrian Neil and Directors George Davidson and Adrien Terrenoire met with Stephen Sewell and George Russ in their Leesburg law offices. Our problems were explained and the possibility of purchasing Continental was explored. The attorneys stated that they could study our situation and the cost would be \$95.00 per hour. This again was out of the question. Charles Noll received a bill for \$190.00 which he paid but did not ask C.C.R.H.A., Inc. to reimburse him.

Charles Noll contacted Community Resources Corporation (CRC)⁶ in St. Petersburg and a meeting was set up for January 6, 1989 in their offices. The meeting was attended by Charles Noll, Jean Knolle⁷ who was Vice President of C.C.R.H.A., Inc. and Adrian Neil along with the principals of C.R.C. The C.R.C. representatives were Robert Abel, Tod Eckhouse, Joe Gaynor and David Bernstein. The records do not indicate if Carl Montecki, the engineer, was present or not. Our problems were explained to the C.R.C. people and it was made very clear to them that the C.C.R.H.A., Inc. officers did not represent anyone and had no authority to enter into any contracts. This meeting was recorded, as were all meetings with C.R.C.

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February 8, 1989 Charles Noll, Jean Knolle and Adrian Neil met with Robert Abel, Tod Eckhouse and Carl Montecki in the home of Charles Noll at 31 Magnolia Lane in Continental. The C.R.C. people had done a lot of work and it seemed like we were now getting somewhere.

On February 14, 1989, after many telephone calls since February 8th and more visits to Continental by Mr. Abel, the Directors of C.C.R.H.A., Inc. were advised that the Board would meet on February 16, 1989 with some people from C.R.C. who might be able to help us buy Continental.

February 16, 1989 the Board of Directors⁸ of C.C.R.H.A., Inc. met with Robert Abel, Tod Eckhouse and Carl Montecki in the office of C.C.R.H.A., Inc. on North Timber Trail in Continental. The plan was explained to the Board. It was to be a not for profit corporation. Shares in the corporation would be priced at \$3,000.00 each and sold to lot owners in Continental only. Only one share could be purchased for each lot owned. In order to come up with the extra money that would be needed, the purchasers of shares in the corporation could buy a Charter Golf Membership for \$4,000.00. This Charter Golf Membership granted certain rights to the purchaser that the other golfers would not have.

Since there were 900 lots in Continental, the number of shares in the new corporation would be limited to 900. To prevent overcrowding of the golf course, the number of Charter Memberships would be limited to 400.

The reason shares in the corporation would be sold to lot owners in Continental only, was because of Securities and Exchange Commission regulations. We were advised that if the sale of shares was limited to lot owners in Continental we would eliminate a lot of problems. One of which was the necessity of registering the proposed sale of shares with the SEC. Another was that we then might be required to register the proposed sale in each State where Continental lot owners had their legal residence. This is the reason we could not sell shares in the corporation to residents of Sandalwood. The months and months of time it would take to register with the SEC and the thousands of dollars it would cost made it out of the question to do so.

The decision to form as a "not for profit corporation" was because, this again, would make it a lot less complicated and take less time. With this type of corporation no dividends can be paid to the shareholders and the shareholders cannot sell their shares for more than they paid for them.

In early April of 1989 a series of meetings was held in the Magnolia Room to explain the plan to the residents, and on May 18, 1989 a meeting was held in

the high school gymnasium in Wildwood so the residents could see the projections that David Logan had prepared. At this meeting, which was also attended by the principals of C.R.C., it was announced that \$100,000.00 in earnest money was being paid to Redman Industries as agreed. This was an agreement with Redman by which they agreed to wait for a certain period of time to allow us to come up with enough buyers to make the deal work. The \$100,000.00 in cash came from several residents who paid in their full \$7,000.00 at this time. If the deal had fallen through, the \$100,000.00 was not to be refunded.

It was also announced at this meeting that the next day, May 19, 1989 the price of a Charter Golf Membership would be increased to \$5,000.00 and that after the closing on August 1, 1989 the price of a share in the corporation would be increased to \$4,000.00. This was done to encourage the residents who were undecided to make up their mind about buying. Also, we needed to sell as many shares and Charter Memberships as we could right at that time to get enough money to make the deal work. We felt that the people who helped make the purchase possible were entitled to this break. After enough money had been raised to make the purchase the additional shares and Charter Memberships sold were just extra money. It was the early sales that made the deal work, this was when the money was desperately needed. Without the early sales of shares and Charter Memberships we could not have purchased Continental.

At 10:30 A.M. July 6, 1989 word was received from the Public Service Commission that they had set the rate for Continental Utility Company to charge for water and sewer service. The PSC also stated that they would not honor the contracts for free water and sewer service that the residents had with the owner of Continental.⁹

The closing for the purchase was held on August 3, 1989 in the offices of Akerman, Senterfitt & Eidsen in Orlando, Florida. The closing was changed from August 1st to August 3rd mainly because the attorneys didn't get their paperwork done on schedule. This, however, did not present any problem.

To address the question of "what did we gain by purchasing Continental from Redman" a lot of details need to be explained.

First of all, it needs to be understood that Redman did not want to keep Continental and run it. Note the following facts:

In February 1982 Redman Homes (a subsidiary of Redman Industries) and Donald W. Freeman entered into negotiations that lead to Redman loaning

Freeman \$2,750,000.00 so that Freeman could purchase the Continental property from Continental Country Club Communities, Inc., and further develop it. Freeman was to obtain future development loans from sources other than Redman. During this time Freeman was purchasing manufactured homes from Redman and Redman had to advance more money to keep Freeman in business. Freeman also had obtained other loans from other lenders and each time Redman had been asked to subordinate it's loan to the new lender's loan. Redman had done this several times in order to keep Freeman in business.

In September 1983 Freeman borrowed \$2.75 million from Southeast Bank, N.A. and Redman subordinated to the Southeast Bank loan.

In April of 1984 Freeman borrowed \$2.15 million from Florida Federal Savings and Loan Assn. and again Redman subordinated to this loan.

In August or September of 1984 Florida Federal Savings and Loan Assn. gave a conditional commitment to make a loan to Freeman for \$7.36 million and Redman was asked to subordinate their loan again. Redman was not agreeable to this but did pay \$380,000.00 to the State of Florida for Freeman's unpaid sales tax in order to avoid having the State file a tax lien against all property owned by Freeman.

In early February 1985, Redman conducted a partial investigation of Freeman's books and records and decided not to subordinate to the Florida Federal loan and on February 12, 1985 Freeman filed the Chapter 11 bankruptcy petition.

If Redman had let the bankruptcy action proceed without doing anything Redman could have lost most of the money it had loaned to Freeman. Instead of allowing this to happen, Redman filed a plan to take Continental out of bankruptcy. On March 24, 1986 Redman filed a second plan for reorganization with the U.S. Bankruptcy Court, Orlando Division, which was later amended and approved. At this point in time Redman Homes took over Continental Country Club. And from this date on, Redman was interested in selling the property to recover the funds that it had advanced.

When the residents were able to work out a plan to purchase Continental from Redman, it required Redman to do the following list of things which otherwise might not have been cleared up.

In his October 1987 final Decision, Judge Aulls ordered that Redman pay the legal expenses of the C.C.R.H.A., Inc. to the extent of \$112,681.43. Redman appealed this decision and so it was still not quite a done deal.

While the legal action brought by C.C.R.H.A., Inc. against the owner of Continental was waiting to be finalized, the residents had been paying a certain amount each month into a Court ordered escrow account (The John T. Allen Trust Account) rather than paying it to the owner of Continental as part of the monthly O & M. Even after the decision handed down by Judge Aulls, Redman still claimed a part interest in this account based on the dates that certain increases in the monthly O & M started and some other complicated calculations.

Part of what we gained by the purchase was that Redman paid C.C.R.H.A., Inc. the full \$112,681.43 legal expense item which was returned to the residents who had paid it to finance the legal action.

Redman also gave up all claim to the John T. Allen Trust Account and this money was returned in full to the residents who had paid it in. The amount paid in was \$1,223,195.00 not counting interest that was earned.

All litigation between Redman and the Residents was stopped.

Part of Redman's reorganization plan required \$331,000.00 to be paid in cash into a creditors fund or unsecured creditors fund, depending on how you look at it. This was to set up a fund to try to return part or all of the money various residents had lost mostly because of deposits they had made on homes that never materialized. Redman was also to sign a note for the Fund in the amount of \$900,000.00 payable \$90,000.00 semi annually plus interest. Included in the agreement to purchase, Redman agreed to pay the full amount into this fund at once.

One of the most important things we accomplished by the purchase was that we kept an outsider from buying Continental. C.C.C.R.O., Inc. is owned by the residents and does not have to make a profit. It can't pay a dividend, all it needs to do is pay all expenses. An outside investor would need to make a decent return on the \$6 million invested and that profit would have to come from fees that the residents pay.

With the residents owning Continental, Phase III will remain as it is, unless the shareholders vote to do something else with it.

Some of the other debts that Redman had to clear up in order to give us clear title to the assets that we purchased are:

An IRS lien on Phase III	\$ 150,000.00
Creditor's Security Fund lien on utility system	\$ 450,000.00

Lifetime Communities lien on golf course	\$1,450,000.00
Florida Federal lien on Phase I	\$ 247,690.00
Redman Homes lien on C.C.C.	\$3,560,000.00
Continental Illinois Nat. Bank lien on C.C.C.	\$5,200,000.00

It is important to note that the residents did not buy CONTINENTAL COUNTRY CLUB from Redman. Only certain assets were purchased, and the name was retained by Redman. The residents also did not assume any of the debts that Continental Country Club had. The new corporation formed by the residents was thus named, Continental Country Club Resident Owned, Inc. Shortly after the purchase, Redman renamed C.C.C. as the Okahumpka Corporation.

An item that has been misunderstood by some residents is the fact that the residents did not buy the vacant lots that Redman owned and did not buy the occupied lots that Redman was leasing to residents who had placed manufactured homes thereon. To purchase the vacant lots would have meant borrowing more money and the lots would have produced no income. Taxes would have to be paid on the lots and the debt against them would have to be serviced.

In addition to all of this, Redman agreed to pay the same monthly fee on the vacant lots as the owners of C.C.C.R.O., Inc. would pay on their lots. Also Redman purchased twenty shares in the Corporation and twenty Charter Golf Memberships, these to be sold to any purchaser of one of the vacant lots. Redman never exercised the right to vote the shares at a meeting of the shareholders. The lots that Redman owned and leased to others were sold to Robert Abel shortly after the purchase was completed.

Articles of Incorporation for C.C.C.R.O., Inc. were filed in Tallahassee with the Secretary of State on May 22, 1989 under Chapter 617 of the Florida statutes as a not for profit corporation. Charles L. Noll was listed as the registered agent and the initial office was listed as 31 Magnolia Lane (Mr. Noll's address).

When the original price of \$3,000.00 per share and \$4,000.00 for a Charter Golf Membership was finally set, after much deliberation, the hoped for goal was to sell 550 shares in the corporation and 350 Charter Memberships.

563 shares were sold at \$3,000.00 for a total of	\$1,689,000.00
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362 Charter Memberships were sold at \$4,000.00	\$1,448,000.00
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Another bit of information that may be overlooked is that the C.C.R.H.A., Inc. spent at least \$12,000.00 in legal fees and associated expenses to make an appearance before the proper authorities in Tallahassee before the purchase was made in an attempt to get the Public Service Commission to honor the water and sewer contracts the residents had with the owners of Continental. The idea behind this was that if the contracts for free service could be honored, it would benefit the residents and also the purchase price of the utility business would be much less.

Some residents have wondered why a general meeting of all residents was not called to allow them to vote on the proposed purchase. The reason is that no one was required to buy. Each lot owner made his or her decision to buy or not, in effect, the residents voted by writing a check or not writing a check.

Something that made it much easier for residents to buy a share and a Charter Golf Membership was that the purchase price of each could be financed up to 100%. This is still true today. Of the 563 shares and 362 charters that were sold, many of them were financed in part or 100%. This was worked out by the corporation borrowing the money from the lender and re-lending it to the resident at the same interest rate.¹⁰

The information in this report has been gathered from meetings of the C.C.R.H.A., Inc. Board of Directors, meetings with the principals of Community Resources Corporation, meetings of the Board of Directors of Continental Country Club R.O., Inc. and taped recordings and notes made during numerous meetings and conferences from 1987 through 1992. Letters and other documents have provided valuable information, in particular, documents from the Bankruptcy Court.

Editorial comment has been kept to a minimum, and when it has been used, it is to explain the significance of some action or event.

Any questions or comments should be directed to Adrian M. Neil, 59 N. Bobwhite Road, Wildwood, Fl. 34785 e-mail AMNEIL@CFL.RR.COM
Listed below are the comments that refer to the numbered items:

1. C.C.R.H.A. (Continental Community Resident Homeowner's Assn.) was an association of residents of the Continental complex. Articles of Incorporation were filed August 11, 1980. Since the Association had served the purpose for which it was started, a Final Certificate of Dissolution was filed September 21, 1990.
2. Dean Hammond was President of C.C.R.H.A., Inc. at this time.
3. Adrian Neil was the Secretary of C.C.R.H.A., Inc. at this time and later was Secretary of C.C.C.R.O., Inc.
4. Charles L. Noll was President of C.C.R.H.A., Inc. at this time and was later the first President of C.C.C.R.O., Inc.
5. Fred Babb was a Vice President of Redman Homes and Also of Redman Industries, and the main contact between Redman and Continental.
6. C.R.C. (Community Resources Corporation) was an organization that specialized in putting together workable byout plans for residents of parks so they could purchase the facilities from the developer of the park.
They arranged the financing for the Continental residents with First Florida Bank so that we could purchase the assets from Redman.
The original loan was for \$3,700,000.00 at 11 1/2% interest, fixed rate with a ballon payment due in five years.
The amortization program was for 25 years.
Because interest rates went down, the loan was rewritten after three years at a lower rate of interest at the request of C.C.C.R.O., Inc.
7. Jean Knolle (Alice Jean Knolle) was Vice President of C.C.R.H.A., Inc. at this time and later was Vice President of C.C.C.R.O., Inc. and then served as the second President of C.C.C.R.O., Inc.
8. The Board of Directors of C.C.R.H.A., Inc. at this time was as follows:
Charles L. Noll, President Jean Knolle, Vice President
Adrian Neil, Secretary Robert Ashley, Treasurer
Directors-- Orwin V. Thomas, Homer Sonn, Adrien L Terrenoire
Edward L. Kraft, George P. Davidson
These Officers and Directors also constituted the original Board and Officers of the new Corporation, C.C.C.R.O., Inc., until the first election was held.
9. The Public Service Commission advised Mr. Babb in a letter dated March 8, 1988 of the following: "On January 13, 1987, the Board of County Commissioners of Sumter County adopted a resolution, pursuant to Section 367.171, Florida Statutes, whereby jurisdiction over the authority, service and rates of water and sewer utilities providing service in Sumter County was transferred to the Florida Public Service Commission." It was at this point the PSC required all providers of

water and sewer service in Sumter County to register with the PSC, and subsequently the PSC determined that Continental Utility Company was a "public utility".

10. One other advantage that the residents at Continental have is that when they purchase a share or Charter Golf Membership and finance it through the Corporation, it does not encumber their residence in any way. If they own their residence free and clear, it will stay that way even though they have borrowed to buy the share. If they have a mortgage on their residence, the loan to buy the share will not impinge on that mortgage. If, for some reason, C.C.C.R.O., Inc. should end up in serious financial trouble, the shareholders have no contingent liability. The most that a shareholder could lose would be the purchase price that was paid for the share and /or Charter Golf Membership.