

# Continental's financial fiasco

## Grandmother loses home as creditors await ruling

By GLENN MARSTON  
of the Leesburg/Commercial

### WILDWOOD

At the beginning of 1984 a silver-haired grandmother named Marge Jones was spending her 20th year alone in the Los Angeles suburb of Huntington Beach, 1,500 miles away from her only close relatives.

While her daughter and son-in-law once lived in California, they moved to rural Minnesota a generation ago. They had Jones' blessing to find a better environment in which to raise their only son. In 1984 the grown boy moved out and the remaining family of three agreed to find a way to live near one another again.

The location chosen for this reunion was Continental Country Club — a quiet, tree-filled community of 700 mobile homes that includes a golf course, pool and large restaurant — just east of Wildwood in Sumter County.

Jones arrived on Feb. 20, 1985, and planned to pay \$43.50 to close out the balance left over from three large down payments she made between May and December the previous year. She has asked for the exact amounts not to be published, however.

"I've met a lot of people around here and I'd be embarrassed for them to know everything. Although it's really not that big a secret."

Her loss is typical of many where prospective buyers made down payments but didn't get their mobile homes. Her deposit was about halfway between the smallest — \$200 — and the largest — \$55,000 — made by others.

Jones says she expected to move directly into her new double-wide mobile home but found it unfinished. The driveway, carport, carpeting, utility shed and air conditioner had not been installed.

Worse, Continental salesmen told her the company operating the park and selling the homes, Continental Country Club Inc., had filed for corporate reorganization under Chapter 11 of the Federal Bankruptcy Act a week previously.

There was no way she could move into her new mobile home. Further, she might get back only a small portion of her money — as little as 10 cents on the dollar.

Now, a year after the bankruptcy was filed, Jones has nothing more than she did when she stepped off the airliner from California.

And her mobile home has been sold.

Several months after the bankruptcy petition was filed, the U.S. Bankruptcy Court in Orlando allowed Continental to resume sales. Those like Jones who had deposits tied up in court were treated like new customers by Continental except that some discounts were offered; the down payments were ignored.

When Continental offered to sell Jones her mobile home a second time for \$20,000, she said no. The company advertised it and sold it in the summer. The new owners have moved in.

The bankruptcy case is held up because a "plan of reorganization" was withdrawn two months ago. The plan is to spell out how much of the company's \$13.7 million debt would be paid off, to whom the money would be paid and what percentage each one would get. A new plan is due Monday, although Continental has asked for a 15-day extension.

Besides Jones, the others waiting for resolution of



“ They took that money under false pretenses because they knew there was no way they were going to salvage that company. How the state attorney can't put them in jail, I don't know. ”

— Marge Jones

## Continental Country Club's 13.7 million dollar debt



Graphics by Sharon Benson

the Continental bankruptcy include:

- Twenty-one banks, savings and loans, credit companies and a mobile-home manufacturer that say they are owed \$9.2 million.

- Four hundred seventy-five companies that say they are owed \$1.6 million for goods and services that weren't paid for.

- Federal, state and county governments that say Continental owes them \$761,995 in back taxes.

- One hundred sixty prospective residents, mostly people like Jones who dreamed of vacation-like retirements in Central Florida, who say they are owed \$2.1 million for deposits on mobile homes that weren't delivered.

The median deposit from those trying to buy mobile homes at Continental and then were caught in the bankruptcy was \$13,125. Jones says the losses at Continental amount to more than simple mismanagement leading to reorganization in Bankruptcy Court. She says Continental in effect stole her life's savings.

Don Stichter, a bankruptcy attorney in Tampa who represents Continental, says that's not so. He explains the company's financial problems and decision to go to Bankruptcy Court for reorganization this way:

"I think it happened in a situation where there was an ongoing process of taking deposits and then it was months before delivery of the manufactured units. I think they went into Chapter 11 very quickly. They filed very quickly after the idea came up to them."

Stichter says Continental is continuing to try and help out the stranded buyers by working on a plan that might allow them to get homes in the park with little additional investment. Details are not yet available, however, he says.

Even so, Jones wonders how a company could pile up a \$13.7 million debt in three years of operation when its housing development was the fastest-growing in the county.

"They knew they were going bankrupt," claims Jones, citing a \$3,000 discount offered to her Dec. 28 if she would pay off the balance of her bill immediately. She says a salesman told her the discount was offered to help with a cash shortage the company had. That was just a month and a half before the company filed its bankruptcy petition.

"You don't go bankrupt overnight. They took that money under false pretenses because they knew there was no way they were going to salvage that company. How the state attorney can't put them in jail, I don't know."

In court, Continental officials, led by company president Donald W. Freeman, have testified that they were working on a large refinancing package right up until the bankruptcy filing.

"We did not feel we had financial problems as late as January 1985," Freeman testified last year.

With that on Continental's side, say attorneys working on the case, proving fraud would be very difficult.

### Continental's irresistible draw

To Marge Jones and the others who lost homes in the bankruptcy, Continental Country Club first appeared to be a bargain that just couldn't be refused.

For Jones, the opportunity to be reunited with her family and to give up apartment life by buying her own home were strong draws to Continental. The pleasantness of the mobile-home park and the surrounding area were additional pluses.

"Coming from Southern California, there was no

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way I could possibly afford to buy a home there. Prices were just out of sight.

"In California I had just had a \$100 rent increase. There's no protection from that," says Jones, adding that she used to pay \$450 per month to rent an apartment.

Town houses in her old neighborhood that sold for less than \$40,000 just a decade ago now sell for more than \$100,000, Jones says.

"And California has changed. Many of its old attractions are now diminished," she says.

"This is heaven compared to California. I never knew who my next-door neighbor was. There was a big apartment complex next door to where I lived. They came and went, and partied to all hours of the night.

"Here," says Jones, speaking of the apartment she now rents near Wildwood, "there are requirements. They can't do that. But it's still not my own home."

Even so, given all that's transpired, Jones says she misses California.

"Huntington Beach. It's south of Long Beach. It's a beautiful area," Jones says. She uses postcards to show that sunsets can be seen over the Pacific Ocean as can the snow-capped Santa Ana Mountains towering over the desert by simply turning around and looking east.

But Continental Country Club and Sumter County are where Jones says she had hoped to live.

"It reminded me so much of what California used to be like with two-lane roads, no traffic and the laid-back sort of life style. Quiet. Serenity.

"So I decided that I would join my family here. To me it was like a ticket to heaven. But it didn't turn out that way."

**Making a deal for a dream**

"After my grandson was out on his own there was no point in them staying up in the winter and snow," says Jones of her daughter and son-in-law.

"So they decided, 'Why not look around?' They came down here for a weekend. Then they spent a week out there with me."

Jones says that although her family members had looked Continental over they were also thinking of buying a place near her in California.

When they traveled there, they quickly changed their minds, she says.

"They hadn't realized how it changed in the years they had been gone. That Southern California area is wall-to-wall cars, people, congestion and smog. They said, 'No way.'"

"Then when they saw prices here there was no comparison. And this is similar to the area they lived in in Minnesota, very much like it. They said, no, they're coming back here."

Jones, also lured by Continental's attractions, decided to investigate as well. Continental flew her in from California for a weekend sales pitch in May 1984. She liked the park and quickly made arrangements to buy a mobile home there.

"I made a down payment when I was here in May. I made another payment in June. Around a month later I sent them another check. The balance was to be paid when I got here."

"Well, on Dec. 28 they called. First of all they told me my house was on the lot and they were looking forward to me coming here."

"But, they said, 'We're having a cash-flow problem. In as much as you agreed to pay the balance when you arrive here, if you could just pay it now, we'll give you a \$3,000 discount at closing.'"

"I said, 'Gee, that's a belated Christmas present.' So I sent them the check immediately."

**Moving to a new life in Central Florida**

Jones says packing all her belongings, selling her car and walking out of her apartment in California for the last time left her feeling more alone and unsure than ever.

"The day I left and I closed the door to my apartment, I walked down to give my keys to a neighbor for the owner. A friend was waiting to take me to where I was going to spend the night."

"I thought, 'I don't have any keys.' I felt like I was in limbo. I didn't have a car key. I didn't have a house key — nothing to attach me to anything."

Jones' says her friend told her "Oh, don't think about that. You're going to go and have your nice new house, and everything new."

"My next-door neighbor and I had lived in these apartments 12 years. I thought, 'I'm not going to have to look at this old carpet anymore.'"

"I'm going to have new carpet and a new refrigerator that I don't have to defrost. All this — it's just like I'm going to heaven."

"I arrived here on Feb. 20. My family had written to me that my house was sitting on its lot. I could hardly wait to see it."

The daughter and son-in-law had been able to move in quickly because they did not have as many ties to their home in Minnesota as Jones did to hers in California. They moved into their mobile home months before Continental filed its bankruptcy petition.

"I went over the next day. It was just sitting on the lot," Jones says.

"It wasn't completed at all — no awning or anything. The house was just put together and sitting there."

"My daughter said, 'Well it isn't really ready but I'm sure they could lay the carpet so you can put your things in when they come.'"

"We called the office, and it took three or four phone calls up to the office. Finally they said there was no way they could put my things in because they had declared bankruptcy on the 12th."

**The loss of a life's savings**

"Yeah, 'Go out to that tree. Pick off the money and we'll finish your house.'"

That's what Marge Jones says Continental in effect asked her to do.

Besides being frustrated by not being given what she'd paid for, Jones says she had a hard time figuring out why Continental refused to turn the mobile home over to her.

"You know, I never could figure out why. The house was just sitting there."

"All they had to do to finish my house was put down the driveway, put on the air conditioner, the shed and the carport. And I owed them \$43.50."

"The only reason I owed them the \$43.50 was because the day they called for the final payment they didn't have the final figures in front of them. It was hard for them to call me in California because of the time difference and because I worked."

"Anyway, they said I could give them \$20,000 more. Then they would go ahead and finish up the house."

"For \$20,000 more they would fix it so I could live in it. They would put a driveway in. They'd put an air conditioner on. But they wouldn't put a carport up. They wouldn't put a shed up."

Jones says Continental was even going to charge her to clean the house.

"When he listed all that and I looked at it, I said 'No way.'"

"I paid for all that. I'm not going to give them \$20,000 more. In the first place, where am I going to get the \$20,000? I didn't have a job — I'd quit my job."

"I said, 'No way. The house can sit there and rot.' They said, 'No it won't, because if you don't claim it within two years' time, it reverts.' They would get it back."

After enduring this and pondering why Continental simply wouldn't turn the Fleetwood mobile home over for the \$43.50 she owed, Jones says she finally realized the answer. "They never paid for my house. They owed Fleetwood."

Jones says the manufacturer put a lien on her mobile home to protect itself from bankruptcy of Continental Country Club Inc. "They never paid any money on my house. That's why they couldn't finish it."

She says that failure has taken away her ability to achieve one of her most important goals. "I'll never have another chance to have a home of my own."

The reason for that, Jones says, is she used a large portion of her savings to make her down payments to Continental.

And she says the money took a very long time to save: "Years. Long Years."

"Twenty years ago my husband picked up and left. I had to start all over again. I went to work in a drug store. I had done some other types of work before that but I hadn't worked in 20 years."

"So I started at the bottom and I worked. I changed jobs twice until I ended up in Huntington Beach because I had friends in that area. At that point in your life, you have to take what you can find. You have no choice. You have to put up with a lot."

"I enjoyed going to work. But I had to work long years, and skimp, scrape and do without things. I couldn't buy a new car. I couldn't take fancy vacations. I just had to make do. I was always trying to make do so I would have something to fall back if I did need something."

**Coping with crushed expectations**

Jones says the loss of her savings wouldn't be so bad if she could just get a job to make some of it back. She longs for a job like the one she had in Huntington Beach.

"I worked in a beautiful drug store, and sold cosmetics and gift items."

"I had my customers, I knew them all and when they needed something they'd call up. Or I'd call them up and say, 'Hey it's time. You must be out of your cream now. You'd better come in.'"

"I'd check up on them. They'd come in and say, 'Hey, I need a lipstick.' And I knew exactly what they needed. They'd run in and grab it, and say, 'I've got this. Put it on my charge account.' And they'd run out the door."

"But here, it's a little different situation, different life style and different kinds of people. I applied to Wal-Mart when it first opened. But I put down my earnings and that was the end of it."

"I applied at Belk Lindsey. But you have to be able to drive at night and I don't drive at night. I've had eye surgery and it's too hard for me to see the lights on the cars. It's too dangerous."

The Continental bankruptcy and the loss of the mobile home have been rough on her daughter and son-in-law as well, Jones says.

"They're happy, but this has put them in a heck of a spot, too. How would you feel if this happened to your mother?"

"It puts them in a bad spot because they came down here and I didn't come down here to be a burden to them. I wanted to be near them and to have the family close by."

Jones says even her furniture and household belongings have been troublesome. They arrived four days after she did and the movers called for instructions. "They said, 'We're down here in Wildwood. Where do you want your furniture?' I thought, 'Holy Toledo.'"

"I found a little rent-it-yourself place in Leesburg on Tally Road. I finally found where Tally Road is. I put it in one of those storage places. It stayed there a whole month."

"It wasn't covered up. Now it needs cleaning again. I had everything cleaned," she says of her preparations for leaving California.

"In my new house, everything was going to be sparkling clean. I had these chairs cleaned," she says of two white chairs in her living room.

"I washed every dish, and pot and pan I own. And I bought paper towels and wrapped them in that so they could be put on the shelves."

**Hopes for the future**

If the corporate reorganization in Bankruptcy Court leaves Marge Jones with the means to buy another mobile home in Continental, would she?

"No. I don't want to live there."

"I thought I'd wait and see what happens with this hearing because the last time I would have had the opportunity of selecting a Redman home of equal value," says Jones of a previous reorganization plan.

"At least I would have salvaged my investment. I could sell it some time in the future or I could move over there."

Jones says she hasn't figured out where she'd live, if by some chance she gets enough money to buy her own place.

But, all in all, things could be worse, Jones says. For instance, she says she has a good place to live, even if it's not what she had in mind.

"I think it was really an act of God that I got this apartment. I'm not living out in the street. I've got a roof over my head. But I paid good money to have my own home."

**The residents have problems too**

While the bankruptcy of Continental Country Club Inc. has hurt prospective residents who made deposits, companies that dealt with Continental and those who loaned the company money, it also has caused problems for those already living in Continental.

Right after the bankruptcy petition was filed, for instance, some 90 residents renting mobile homes were served eviction notices by Continental. The company said it was losing money on the rentals.

A few weeks later, full-time residents — home owners — were notified by the company that their maintenance fees were being increased from \$65 per month to \$135 per month.

The maintenance fees pay for communitywide work and services like water supply, sewage treatment, lawn cutting and road maintenance.

The Continental Community Residents Homeowners Association fought the increase, which is now up to \$137.50, through the spring and summer. The association lost its case with the Florida Division of Mobile Homes, though.

Then the association went to Circuit Court in Bushnell to appeal the state's ruling. Ernest C. Aulls Jr., chief judge for the five-county 5th Judicial Circuit, last month OK'd collection of the full fee.

But he ordered the \$72.50 difference between the old \$65 fee and the new \$137.50 fee to be held in a court-approved bank account until the matter is fully resolved. In the mean time, he allowed auditors for the Homeowners Association to investigate Continental's financial records.

The fees are to be discussed further when the audit is completed.

Aulls also told Continental that it could not foreclose on those who aren't paying the \$137.50 fee, and that it could place liens for non-payment on property only when the \$65 fee is not being paid.

In Jacksonville, Continental has been sued in the U.S. Middle Florida District Court by Redman Homes.

Redman is a Dallas-based mobile-home manufacturer that says it loaned Continental \$3.6 million between April 1982 and January 1985.

The Redman case in Jacksonville is an appeal of a decision made last year by Bankruptcy Judge G.L. Proctor in Orlando. Proctor said Continental could sell lots, including ones Redman holds mortgages on, for 95 percent of their value.

That's because Continental officials said that, if the court required each lot to be sold for 100 percent of its listed value, the company's salesmen could make mistakes and therefore violate a court order. The officials asked for a 5 percent buffer to guard against possible mistakes. Proctor agreed.

Redman wants the lots sold for as much as possible, at least 100 percent of the values listed by Continental. It would prefer the court to hold sales prices to higher values set by an independent appraiser. The more Continental sells lots for, the more money Redman stands to regain.

The Jacksonville appeal is awaiting a decision on the reorganization in Bankruptcy Court. If a new reorganization plan is accepted, both sides agree, then the appeal would be moot.

Redman has been one of the major forces against Continental in Bankruptcy Court. Last year it submitted a reorganization plan that would have allowed it to take over Continental's operation. It withdrew the plan in December, however. Continental also submitted a reorganization plan which is still on file.

The Redman plan was withdrawn because of opposition to it from those owed money and from residents of Continental, says Continental attorney Stichter. Redman representatives could not be reached for comment.

**Solutions to a \$2.1 million problem**

While the 160 people like Marge Jones whose deposits are tied up in Continental's bankruptcy case will just have to sweat out the corporate reorganization and hope for the best, two state legislators who represent Sumter County say they want to change state mobile-home sales laws so a similar situation never occurs again.

The reason the down payments are tied up is that they were not kept in escrow accounts. Escrow accounts are special bank accounts from which money can be withdrawn just for certain purposes. Holding

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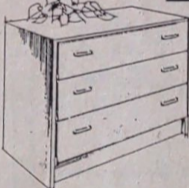
**Teak Bookcases**  
31 1/4" x 11 3/4" x 72 1/4"  
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24" x 11 3/4" x 72 1/4"  
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48" x 11 3/4" x 72 1/4"  
Reg. '209  
**\$159**



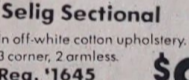
**New Dressers from Denmark**  
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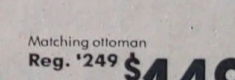
5 Drawer  
Reg. '329  
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**Teak Roll Top Desk**  
Reg. '599  
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**Selig Sectional**  
In off-white cotton upholstery. Five piece set: 3 corner, 2 armless.  
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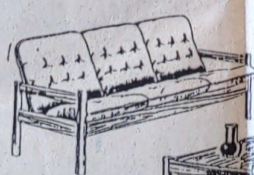
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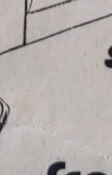
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Danish living room suite at its best, in solid teak.  
Sofa, 3 seater  
Reg. '649  
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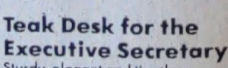
Coffee Table  
Reg. '249  
**\$179**



Love Seat  
Reg. '529  
**\$399**



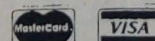
Low Chair  
Reg. '349  
**\$239**



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the hyacinth proposal, that it won't help the

critics oppose spending money to study the effects, Drage said that if the money were dropped, the money could not be spent on the project for restoring the

the hyacinth money from a special state aqueduct fund, he said the money will have to go back into the project if it is not used for the project.

noted that hyacinths did not grow successfully to restore the lake from a pond at Apopka World, said he would like to see a private company run the project if it would make Apopka.

to restore the lake from pollution coming into Apopka is the cause of the other organs he said.

deposits until closing on a land sale is a common example. Continental was able to avoid this escrow requirement because its salesmen took the deposits as down payments for mobile homes only, not for lots. State law requires deposits to be put in escrow when a home sale is connected to a land sale. When the sale of land is not involved with the home sale, there is no escrow requirement.

Even though most of those moving into Continental bought lots with their mobile homes, Continental used a contract that left open the choice of buying lots or leasing lots until the very last moment — closing. That allowed the company to avoid the land-sales escrow requirement.

"Those people out there at Continental lost their homes or are going to lose a large part of their investments. I don't care whether they own the land or not. That's fraud," says state Rep. Everett Kelly, D-Tavares.

Stichter denies Kelly's allegation. Asked whether fraud was involved, Stichter says, "I sure don't think so." The proof, he says, is Continental's efforts to refinance and continue operations nearly to the last minute.

"From what I knew they were prepared to go ahead as usual until several days before they filed."

Kelly says he plans to amend bills updating the Florida Mobile Home Act in this spring's legislative session to require use of escrow accounts in cases like Continental's.

"That is my only way to prevent it in the future. It's wrong," he says.

State Sen. Richard Langley, R-Clermont, also says changes need to be made to close the Continental loophole.

Langley, the chief author of the Mobile Home Act which became law in 1984, says that act may not be the right place for the amendment, however. Either way, though, he says he will fight to close the loophole this session as well.

## FAMILY! HOME FURNISHINGS

# INSTANT REBATE