

# Local/State

## NEWSMAKERS

# Continental's takeover moves toward resolution

*Editor's note: Intercoastal Communities Inc. of Fort Lauderdale is a real-estate acquisition, development and management company which runs six mobile home communities in Florida, including Lakes at Leesburg.*

The company is currently attempting a joint purchase (with Redman Homes) of purchase Sumter County's Continental Country Club for more than \$9 million. Intercoastal hopes to begin management of Continental in January.

Edward R. Allen, 44, is president of Intercoastal. Richard O. Kearns, 59, is chairman of the board.

Continental's present owner filed for bankruptcy in February of this year. Also, the homeowners association is protesting a 100 percent maintenance fee hike the former owners imposed. Both cases are still pending in court.

By PETER GUINTA  
of the Leesburg/Commercial

**QUESTION: How is the takeover of Continental going to work, assuming it is approved by the bankruptcy court judge?**

Allen: Tuesday is the first hearing on the disclosure statement filed by Redman Homes. After that is reviewed, the judge will set a date for confirmation of the planned reorganization.

That'll take about 30 days.

Once the planned reorganization is confirmed, that sets the wheels in motion for Redman and us to take possession of the project, depending upon how fast the court moves. We're anticipating sometime around the first of the year.

The joint venture agreement itself has not been finalized, though the attorneys are working on it now, and we anticipate it'll be finalized within the next 15 days.

It'll be a 50-50 partnership between us. Redman will provide the bulk of the financing and Intercoastal will manage it. We'll have a sizable investment in it too, but they are a bigger company.

**QUESTION: The homeowners at Continental believe that the proposed maintenance fees (which will jump from \$65 to \$137) are too high. Do you intend to keep them at that level?**

Allen: As far as we can ascertain, the proper notice was finally issued in late July or early August. State law requires a 90-day notice, which means the new increase will be legally enforceable under the law.

The controversy at Continental has two parts: The amount of the fee and what's going to happen to the fee in the future.

Continental's going to \$137.50 puts them right in the ballpark of their competition in Lake County and that's not talking about what the costs of operating Continental are, which aren't really known to anybody yet.

The brand new sewer plant or water tower are not in operation yet.

Engineers have only projected those costs, but until you get your staff in there, you don't really know. The fee is probably in the right range but it's going to be at least a year or 18 months until we have a good handle on costs.

We operate other communities. Based on that knowledge, we don't think the new fee is far off. That means it's been artificially low in the past.

There's about 700 homeowners out there, with an aggregate value of \$40 million. Considering this company is facing bankruptcy, the whole thing, the golf course, the restaurant, and everything, this whole company could be busted up and its aggregate value could drop in half overnight, if it went to the courthouse steps.

The previous owners incurred operating losses of \$6 million over a period of about three years. It's straight out of the reorganization statement.

**QUESTION: Complaints have been made that the former owners did not keep proper escrow accounts when buyers gave their down payment on a purchase.**

Allen: I don't want to get into what has been done in the past. Because that's already been done and it's none of my business. We can tell you what we told the Department of Business Regulation: Everything will be done strictly according to law. Land and real-estate packages will be handled by licensed real estate associates.

Kearns: We're both licensed real estate brokers. We don't act as brokers, we are prepared to act if necessary to meet whatever is required by law in this particular situation.

(The law) requires escrow

deposits for land and home sales. We escrow these funds and do not use them until we actually start to build a house. But it goes into the house. The funds go into a separate account and they even get interest on their money.

**QUESTION: Will "grandfather contracts" be honored at Continental after the takeover?**

Allen: Part of cleaning up a bankrupt firm is that the judge essentially voids executory contracts. So the contracts that are voided will give the new ownership and management a new lease on life, so that they are not burdened with bad deals they made before.

I don't know how many of those deals existed or how sweet the deals are, but in Redman's plan of reorganization, it has sought to have them voided.

**QUESTION: Will there be a second golf course built? Some people say the first is overloaded.**

Allen: Our business plan for the next five years does not anticipate a second golf course. But we'll do anything we can make a buck at.

We don't really know. We've heard it's overloaded. But we operate golf courses now and we know that we can't give everybody play at 8 o'clock in the morning on Saturday.

I can tell you for sure: We would be remiss to go to our partners and say we think we need a second golf course before we have a lot of evidence behind us, have our sales activity back on track, at least until we have everything under control.

Kearns: If it sounds hardhearted, it isn't. We're budgeting for expansion of recreational facilities — we've put it in our business plan — but we do not know what form it will take.

**QUESTION: There are still 660 creditors, of which 160 are home buyers, who lost their down payments at Continental. They range from \$200 to \$50,000. Is any of that money going to be paid back in the buy-out?**

Allen: Redman has asked the court to treat the 160 contract purchasers as a separate class. They will have two options if the plan is approved.

Unsecured creditors will get 28 cents on the dollar.

Or, they can get full credit on a Redman home that would be comparable to what they ordered before. For example, if they ordered a 1,100-square-foot home, they can choose a 1,100-square-foot home from the Redman catalog.

It may be slightly different than what they ordered before.

If they had to take the money and go out and buy somebody else's home, it would cost a lot more. It's probably one of the most costly parts of the settlement.

We pretty much anticipate we're going to continue to lose money for the first year and a half. The park has to operate at a profit when it's completed.

**QUESTION: How do you think Intercoastal can manage Continental profitably when three former owners have gone bankrupt?**

Kearns: We acquired one park in Palm Beach; they had sold a total of 14 homes up to then. We sold out the park at three or four times their rate in a matter of two years.

We took over a bankrupt park. They had sold only 65 to 70 homes. The first full year we were in there we sold 102; the next, 105; and the next, 182. And we sold them profitably, and we sold them at lower prices.

Obviously, as one of the largest park developers in the state, we have the benefits of scale, of credibility and of being very strong financially so we don't have our backs to the wall.