

# CUTTY'S NEWSLETTER - - TENTH EDITION - - NOVEMBER 23, 2009

## Series #11 - - Bankruptcy News Follow-up

*We have good news, no, great news! As I told you in the previous letter, the bankruptcy can be resolved.*

As background to this statement, I want everyone to know who was in bankruptcy and why Cutty's DM Camping Club was involved. Simply put, the bankruptcy is against Cutty's, Inc., not Cutty's DM Camping Club. Cutty's, Inc. did not sell 932 shares of the total 3000 issued. Those 932 shares are still owned by Cutty's, Inc., and have a value and the bankruptcy Trustee wants money for that value.

The Trustee, through Adversary Proceedings, placed the land the Club is built on up for sale. A bid of \$1,250,000 was received for the 82 acres. Our attorneys state that this action is a normal bankruptcy procedure, therefore permissible and normally approved by the court. Our case is unique, as there are many land owners, not just one. Our attorneys state that we have a 50-50 chance of winning the Adversary Proceedings.

Even if we win the Adversary Proceedings, there will be more legal proceedings leading to a court case. It is estimated that legal costs will range between \$50,000 and \$100,000. If we win the court case, we will get a ruling stating "the land cannot be sold!" Once that is all said and done, the Club would still not own the 932 shares and would have to **buy** them (or face more problems down the road).

What happens if in the Adversary Proceedings or court case, the Judge rules that the land can be sold? **The buyer who bid \$1,250,000 gets the 82 acres and the title to the land! We lose the land and therefore, lose the Club!!**

In summary, we can fight through the bankruptcy courts, spend money and possibly lose the Club or we can buy the shares. If we own all the shares, all the problems related to the bankruptcy will be gone!

We have negotiated with the Trustee and have agreed to the following:

1. Price for the 932 shares.....\$300,000
2. Down payment of \$30,000 to be submitted with the Purchase Agreement
3. First payment due January 15, 2010.....\$135,000
4. Second payment due March 15, 2010.....\$135,000

**The choice is simple! We must buy the shares!!**

In order to properly answer the question as to where do we get the \$300,000 to buy the shares, we need to look at what has happened in the last 17 months.

Seventeen months ago I stood before you and told you that we had problems. Bills were:

- |  |                  |
|--|------------------|
| 1. 50 amp electrical loan  | \$504,000        |
| 2. Accounts payable  | \$260,000        |
| 3. Operating loan  | \$260,000        |
| 4. Money needed to finish<br>the year and operate the<br>first quarter of 2009 | <u>\$260,000</u> |
|  | \$1,284,000      |

The bank was screaming for their money and was threatening to call the loans. Suppliers were calling and threatening to shut off all our credit. The Club was losing members every year.

After stating the problems, I then told you:

1. The Profit and Loss statement would be analyzed, areas of high costs would be pinpointed and action taken to reduce or eliminate the problem.
2. I told you that the finances of the Club could be turned around.
3. I told you we needed money quickly and presented to you the Member Loan Program.
4. I told you a sales program would be started.
5. In the future, the bankruptcy problem would need to be handled. Estimated cost would be \$200,000 to \$500,000.

What was done? Meetings were held with the bank. They were told and shown what we were doing to solve the problems. Agreements were worked out with them. Suppliers were contacted and payment plans worked out. Meetings were held with the membership explaining the Member Loan Program. You responded by loaning the Club \$314,000. You lent the Club \$314,000 on the belief that the financial situation would be turned around. **You lent your money on faith!**

The analysis work was completed and changes were made. In the 17 months since July, 2008 what progress has been made?

50 amp electrical loan - - - The following payments were made:

November 1, 2008	98,000	
May 1, 2009	98,000	
November 1, 2009	98,000	
Total Principal & Interest	\$294,000	<i>In May, 2011 this loan will be paid off.</i>
Accounts payables totaling	\$260,000	Paid off
Operating loan	\$260,000	Paid off.
Money to finish the year & first quarter of the next fiscal year	\$260,000	satisfied primarily by cost reductions, job shifts, combination or elimination of jobs
<b>TOTAL</b>	<b>\$1,074,000</b>	

One negative element occurred and that was the tax assessment. Sorry, it had to be done. There was no other choice!

**SALES PROGRAM:** We needed a marketing department due to a steady loss of members. Last year we started from scratch. A committee was formed, ideas thrown around and a plan was implemented. We began marketing efforts with the RV shows, newspaper ads, internet and magazines. We began working with RV dealers, made up a brochure and worked on the web site. We developed our most effective tool which is a free two night stay for prospective members with the obligation of a 45 minute tour of the park. This resulted in over 80 transfers. We have increased the number of paying members by over 35 families.

We must legally disclose any lawsuits we are involved in and that hindered some of our potential members. Many prospects saw this lawsuit as a potential of us losing the park or even having to pay to keep the park so they chose to wait and see how things turned out. Without this threat and with the marketing plan in effect we expect to add 100-150 new transfers. Our finances are under control and memberships are rising but that means nothing if we don't purchase the 932 shares. We must pull together and do whatever is in each of our means so we will survive and prosper.

Now we are up to date on what has happened in the last 17 months. Let's look at how to handle the purchase of the 932 shares.

Where do we get the money?

How much do we need?

When do we need it?

### **17 months ago I asked you to loan on faith, now I ask you to loan on the facts!**

**Where do we get the money?** I believe we have established that the most logical place is from the members through the Member Loan Program.

**How much do we need?** \$300,000 is needed, with payments as follows: \$30,000 down payment immediately to be sent with the Purchase Agreement and \$135,000 on January 15<sup>th</sup> and \$135,000 on March 15<sup>th</sup>.

We have \$60,000 in the operating checking account. This is money needed to operate efficiently and effectively. The \$30,000 down payment will temporarily be taken from there.

The January 15<sup>th</sup> payment of \$135,000 is a problem. This means we will need to get this amount from the Member Loan Program as well as the original \$30,000 down payment.

The problem is timing. Normally the dues income, etc. and seasonal site payments do not come in until mid-March. As you can see, this would be too late to make the payment.

The Trustee will not give us one minute of grace!! If we fail to make each and every payment on time, he will keep the money paid to date and sell the land to the bidder.

### **What are the solutions?**

- Implement the Member Loan Program immediately
- For this year only, change the due date for annual dues and seasonal sites to Jan. 5<sup>th</sup>, 2010. Why January Fifth? We want to make sure that both the January 15<sup>th</sup>, 2010 payment and the March 15<sup>th</sup>, 2010 payment will be made.

The plan is good! We need all members to see how far we have come in 17 months. For the first time in over 13 years, the Club has made a profit in fiscal 2009!! The bankruptcy problem can now be solved! The last push is at hand. Each member must look at their finances and loan the Club money! Now is not the time to say let someone else do it, I loaned money 17 months ago! The time is now! Buying the shares will free the Club of financial problems and the threat of bankruptcy.

Here is how the Member Loan Program works:

1. Simple interest of 7% will be paid
2. No payments will be made on the interest prior to the fifth anniversary of the date of the loan
3. Starting on the fifth year, principle payments should begin as well
4. The loan will be secured by a 1/3000ths undivided interest in the Club for each \$3000 increments loaned
5. These mortgaged interests will be non-voting and are not subject to dues
6. Upon receipt of the loan proceeds, the Club will execute and deliver a Promissory Note and Mortgage confirming the terms stated.

We ask all members to take part in the Member Loan Program. Loan what you can; \$100, \$200, \$300, \$500, \$1000, \$3000 or more! With everyone's help, we will clear this hurdle!

Included in this letter is a Commitment Sheet. Please fill it out and send it to the Club office at 2350 SE 37<sup>th</sup> St., Grimes, IA, 50111 as quickly as possible. The sheet is used to keep us up to date as to pledged or committed amounts. Please include a check with the Commitment Sheet, if you can, for the amount committed. Your check will not be cashed without prior notification.

We need every Member's help to raise the money necessary to buy the shares. If we do not want the land sold in the bankruptcy court, loan the Club money! **Time is short, please act quickly!!!**

**If you have questions relating to the bankruptcy solution project, please call 800-798-2267.**

The Board wants to thank you in advance for your help and support on this project.

Sincerely,

Cutty's Des Moines Camping Club, Inc.

James Murtha, President

P.S. The member only section of the internet is open at [cuttys.com](http://cuttys.com).