

CONTINENTAL COMMUNITY RESIDENT HOMEOWNERS ASSOCIATION, INC.

Box 722 • 15 Magnolia Lane  
Wildwood, Florida 32785

JULY 8, 1989

Dear Shareholder:

It is our intention to keep you fully informed of our progress towards our goal - which is to complete the purchase of Continental Country Club. We met with the banker and the attorneys during this past week and we now can pass on to you all of the information that we have gathered.

LEGAL: The closing date has been set for August 1, 1989. There were a few problems that had to be cleared up that will be resolved in the next few days. August 1st is the magic day. The survey problems have been resolved and the results of the engineering studies have been agreed to by both parties. The new Deed of Restrictions has not been completed and therefore is not available as yet. Two corporations have been officially set up. Continental Country Club R.O., Inc. is the parent company. Continental Utility Corporation is a wholly owned subsidiary. The utility company will be the entity used to purchase the water and sewer portion of C.C.C. This was set up because of the problems created by the rate setting process and other problems created by the Public Service Commission. Continental Utility is a FOR PROFIT corporation whose profits go to the non-profit parent corporation. It may be possible in the future to sell shares in the utility company to Sandalwood and thus become a private corporation and be free of the Public Service Commission. The Articles of Incorporation and By-Laws have been prepared in draft form. The Directors and Officers of C.C.R.H.A. are designated as the interim directors and officers of the new corporation. We expect to have an election of directors of the new corporation very early after we complete the purchase. We trust that qualified people will come forward to serve.

FINANCIAL: We met with our banker, First Florida, and he confirmed that the loan of any amount we need up to \$4 million has been approved and that the interest rate would be about 11.5%. This is 1% less than the rate that we had discussed in our presentations. The final rate will be set on July 24th and we hope that it will still be lower than 11.5%. The rate the corporation pays will be used on the notes that some of the residents will use to purchase shares or charter golf memberships. If the closing date is August 1st as expected, the first payment the corporation will make on the loan will be made September 15, 1989, and on the 15th of each month thereafter. A bank account has been set up in the First Florida Bank in Leesburg. This Money Market Account will earn interest and will be used for the deposit of our checks for the purchase of the park. We will deposit all of the checks on MONDAY, JULY 17th. This is the latest date that we can use for the deposit of funds. A second account has been set up to collect the John T. Allen, Jr. Trust Account funds resting in fifteen different banking institutions. We are arranging for each of these banks to wire transfer the funds to the First Florida Bank so that we will not miss any interest earning days. This transfer is planned for July 24th. We will advise you at a later date of the plans for the distribution of these funds to the residents.

SIGNING PARTY: PLEASE MARK YOUR CALENDAR -- FRIDAY, JULY 21, 1989

This is the day when we will meet individually with representatives of the legal firm. The purpose of the meeting will be to review and sign the necessary documents to become shareholders in the corporation. The meeting will be in the Magnolia Room and will be scheduled throughout the day. You will be advised of the time that you are scheduled to attend. If you are out of town we will forward the necessary documents for your signature with appropriate instructions. Because these signed documents need to be in the file prior to the closing date, we will probably use Federal Express for people out of town.

JOHN T. ALLEN, JR. TRUST ACCOUNT: These funds will be placed in one bank account for distribution. Chris Jayson will prepare a letter to all plaintiffs in the Court Case explaining the pros and cons of the distribution of the fund. The determination of the interest amount, the writing of the checks and the preparation of the 1099's will probably be done by David Logan our CPA. The 1099's are necessary because the interest you will receive is taxable income to you.

(over)

LEGAL FUND: As part of the closing process and as ordered by the Final Judgment, Redman will pay about \$113,000.00 to the plaintiffs to partly reimburse them for some legal expenses. This is the amount submitted by Chris Jayson to the Court and accepted by Redman as the amount of legal expense that should be returned to us. It does not include any expense such as travel, meals, postage etc. that we may have paid for in the past. It is the amount calculated according to the Florida Bar Association rules and regulations. It certainly does not include any legal expense related to the bankruptcy trial, the appellate court or any recent expenses related to the Public Service Commission rate setting process. We are developing a method of distribution of the fund on a fair share basis. It is the intention of the C.C.R.H.A. Board, that after all legal expenses have been paid to distribute all of the funds in the legal account. The litigation involving Redman and CCC will be completed and there will be no need for a legal account after all expenses are paid and we own the Park.

ADDRESS CHANGE: During the organizational process for the new corporation we have used the mail drop for C.C.R.H.A., INC., 15 Magnolia Lane as our address. We have also used the homeowners office, telephone and other facilities during this period of time. Community Resources Corporation will reimburse C.C.R.H.A., INC. for this expense. Sometime during the last two weeks in July the office of the new corporation (C.C.C.R.O., INC.) will be located in the rear of the building used by the real estate firm. The address will be:

Continental Country Club R.O., Inc.  
BOX 101 HIWAY 44 EAST  
WILDWOOD, FLORIDA 34785  
Telephone 748-0100

PUBLIC SERVICE COMMISSION: The staff of the Public Service Commission has made their recommendation to the Public Service Commission concerning the rates to be charged for sewer and water to us and to Sandalwood. We have been told that their recommendation does not take into consideration the Final Judgment, the grandfather clauses and other contracts currently in force. John T. Allen, Jr. told us a long time ago that the PSC is all powerful. The full Public Service Commission board meets on July 11th at which time an official announcement will be made.

WE WILL KEEP YOU INFORMED.

BOARD OF DIRECTORS C.C.R.H.A., INC.