

## **Presentation to the CCRFC Board.**

**May 29, 2018**

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### **PILOT Program enables developers to facilitate a Ponzi-esque Scheme.**

If the CCRFC allows the properties under its PILOT program to become condominiums, allows for units in the condominiums to be *sold* by the developer, and *then* allows for the property in its entirety to be *sold again*, they are being willfully complicit in allowing developers to facilitate a Ponzi-esque Scheme.

In 1993 the property commonly referred to as the “1 S. Main” building was divided into 3 separate condominium units by developer Henry Turley known as the One South Main Condominium Project. Unit 2 of the One South Main Condominium Project was then “sold” to Vernice Kuglin (with her son, Christopher Reyes as her assign and intended beneficiary) for \$50,000. There are many deeds and contracts clearly documenting this “sale.”

Under the guidance of the PILOT program/project, the *entire* building of the One South Main Condominiums was then allowed to be sold to Madison Hotel Memphis LLC in 2007 and again to 1 S. Main LLC in 2016.

In 2018, the current developers and *owners* of the One South Main Condominium Project created a false narrative of multiple defaults against the *true owners* of Unit 2 (V. Kuglin and C. Reyes), and in a court of law established them not as *owners*, but rather as *Tenants in Suffrage*.

*How can a property that has already been sold to one individual be sold again to someone else? This is fraudulent and a sale of this nature would simply NOT be possible outside of the PILOT program.*

### **The CCRFC and the DMC either ignorantly or willfully makes claims about properties under their PILOT program that are misleading and/or false.**

First, the Assignment and Assumption of Lease document between Madison Hotel Memphis LLC (as Assignor) and 1 South Main LLC (as Assignee) and joined by MCCRFC dated June 24, 2016 clearly states the following:

1. Assignor has obtained the proper consent from the MCCRFC to assign its interest under the PILOT Lease to Assignee, and that the Property is unencumbered *except* for the matters set forth on Exhibit B; **AND**

2. Exhibit B clearly lists the following as encumbering the property:

- Master Deed of Declaration of Covenants, Conditions and Restrictions of the One South Main Condominiums

- The Lease between Turley and Kuglin as evidenced by Memorandum of SubLease dated March 31, 1993 - clearly giving the rights of ownership of Unit 2 of the Condominiums to Kuglin and Reyes.

- The Deed of Trust executed by Kuglin as to Unit 2.
- and
- The Revolving Credit Deed of Trust executed by Kuglin as to Unit 2.

However, the Landlord's Estoppel between CCRFC (the Lessor) and 1 South Main LLC (the Lessee) and PFP Holding Company IV LLC (the Lender) which is *also* dated June 24, 2016 clearly states the following (in opposition to the above Lease Assignment):

- As of the date hereof, there are *no deeds of trust* or other liens encumbering Lessor's fee interest in the Demised Premises.

Both documents clearly involved the CCRFC and both of the document are signed by current DMC President, Jennifer Oswald. To summarize, the Lease Assignment states that the property is encumbered by the lease agreement granting Kuglin *ownership* rights to the property as well as Kuglin's multiple Deeds of Trust, while the Estoppel states that there are *no deeds of trust* encumbering the property.

***So, what is the procedure to verify the statements approved and signed off on by the MCCRFC and the DMC? How can the DMC and CCRFC warrant that certain claims are true when they are not? These contradictory statements have clearly been used by 1 South Main LLC against Kuglin and Reyes to help facilitate a false narrative and steal property from its rightful owners.***

**The CCRFC (and DMC) clearly acted against their stated interest in re-establishing the One South Main Condominium Association and re-writing the Master Deed of Declaration of covenants, conditions and restrictions of the One South Main Condominium.**

On April 27, 2018 at the DMC Board meeting, DMC legal representative James McLaren stated the following:

"The one thing I want to point out in the PILOT leases is that they provide for the lessees of the PILOT to run the property. The job [of the Center City Revenue Finance Corporation] is to get the properties renovated, provide that tax abatement [but] really not to run the property. Not to control the property. [The Lease holders are] really the controlling owners of the property."

However, on June 24, 2016 The Master Deed of the One South Main Condominium was amended and restated by the CCRFC as Declarant. This new document contains misleading and controversial statements:

First, the document states that the CCRFC is the sole **declarant** and sole owner of the property.

Second, it states that the CCRFC "desired to develop, and sell units in a condominium..."

And Third, while the original deed lists both commercial and "first class residential" uses of the property, this *new* deed changes that language so that all of the units be "commercial property."

So, why was the Master Deed re-written? If the DMC's position is to not interfere with how or what the developers do with their properties, and the PILOT program is "merely a formality," — this document is clearly evidence to the contrary. To date we have been given convoluted explanations as to why this was done, and many questions still remain unanswered:

Question 1: All other documents are transferred between PILOT lease holders, and **joined** by the CCRFC (as administrators of the PILOT) **except** for this document. This document clearly list CCRFC as the sole declarant with a desire to develop and sell condo units but why?

**Does the CCRFC actually desire to sell condos?**

This seems unlikely as the CCRFC helped to facilitate a Pilot Lease transfer of the property on the **exact** same date as this restated Master Deed. And at the termination of that lease, ownership would transfer to 1 South Main LLC for a nominal fee.

**Why does this document not follow the same course as the other documents concerning this property** (Namely, a transfer from Henry Turley to the Madison Hotel LLC and then a transfer from Madison Hotel LLC to 1 South Main LLC)? This document goes back to the **original** lease holders **rather** than from the current lease holders - Any changes being made should clearly have been made by the existing lease holders - Madison Hotel Memphis LLC.

In the initial establishment of the One South Main Condominium Units, Turley's intent was clear - to sell Unit 2 to Vernie Kuglin (and her son, Christopher Reyes). The DMC was clearly aware of Kuglin and Reyes' beneficial ownership as was noted on various Recorded Deeds of Trust, Lease Transfers, and many other documents associated with this property. **Why then, would owners of the condos NOT be consulted, or at the very least, made aware of changes to their governing documents?**

**Additionally, as "sole owner" of the property and as "sole declarant" of the Master Deed, why didn't the CCRFC simply relinquish title of Unit 2 to its actual owner - Kuglin and Reyes - instead of including it in the Lease Transfer (and subsequent Quit Deed Title) to 1 South Main LLC?**

Again, why would the CCRFC Re-state the Master Deed and help to establish a Nonprofit Corporation for the benefit of 1 S. Main LLC? It seems that the only reason to do this would be at the request of 1 S. Main LLC.

The only reason that the CCRFC would have re-written this document (instead of the current owners re-writing it) would be because the current owners - Madison Hotel LLC - did NOT have the legal power to transfer the Master Deed to 1 South Main LLC.

Legally, a Condominium Association has to have a legal entity, and any scenario where either an entity was not established properly by Henry Turley, or the established entity was allowed to lapse by Madison Hotel Memphis LLC, would put the project in default and constitutes a breach of contract.

*It would seem that in the establishing of a NEW Nonprofit and Re-stating of the Master Deed that the CCRFC was attempting to circumvent a breach of contract.*

**References:**

**DM 8988** - Memorandum of Sublease dated March 31, 1993.

**16066877** - Assignment and Assumption of Lease (MCCRFC PILOT Lease #64\_ dated June 24, 2016

**16066879** - Landlord's Estoppel Certificate and Agreement dated June 24, 2016

**DM 1830** - Master Deed of Declaration of Covenants, Conditions and Restrictions of The One South Main Condominium dated February 26, 1993

**16066886** - Amended and Restated Master Deed of Declaration of Covenants, Conditions and Restrictions of The One South Main Condominium dated June 24, 2016

All documents are searchable by the above reference numbers and can be downloaded at:

<http://registry.shelby.tn.us>