



Puzzled in Hot Springs Village

## Description

**PUZZLED**

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By Lloyd Sherman – 8/1/2021

Over my seven years in the Village, I have often times been confronted with situations that left me **puzzled**. While the situation I am about to discuss with you is not the worst I have seen that **puzzled** me, it ranks right up there close to the top. My puzzlement started when I heard rumblings that the POA was preparing to purchase back lots from the State Commissioner of Lands. This was combined with my noticing “names from the past” showing up in searches that I was doing related to the sale of the approximately 3,550 lots currently owned by the POA. The ones I was researching were provided to the Realtor community through the POA’s Real Estate Partner Program.

## Background

After moving here, and while recovering from cancer, I decided I wasn’t ready to retire since I’ve always had an interest in real estate, I decided to obtain my real estate license. So, understandably I became interested in all aspects of the real estate business, especially as it relates to the POA. When our past CEO decided she wanted to open Village Land and Homes and compete with the real estate

brokerages in the area, my interest intensified. Having been a consultant and strategist, I just intuitively knew something was not right with this picture, so research became a huge part of my M.O. Later while I was on the board, I helped put together the ability for the Realtor's to begin selling lots. I mean. why wouldn't you want to take advantage of 130 real estate agents to help you move your inventory? That program has been somewhat successful, but as many are aware, our inventory has been growing exponentially since the introduction of the two-tier system. Also, while on the board, we met with the attorneys to discuss the \$7.5 million judgment obtained against the likes of CS Paradiso, NRPI, et al. The board voted in favor, on the advice of our attorneys, to voluntarily dismiss the judgment. We were advised by the attorneys that they could not find a corporate veil to pierce in order to collect our judgment. This was despite the fact that it had been worked on for years.

### **Where are we now?**

Glad you asked. Several months ago, while working on listing a lot for a client, I found a link back to DFC Funding. This entity is yet another name from the past associated with NRPI, et al. I sent that information to the Board and suggested it be sent to the attorneys for follow-up. **As I never heard back from the board, I don't know if that occurred.**

As I noted in the **Background** above, the research I was conducting was unrelated to what I had started, but once I noticed a trend, I decided to pursue that over the course of this last month. The result was an email to the Board outlining what I had found. I am going to simply cut and paste that email, with some further notations in red:

"Good afternoon,

Some of this may have been previously brought to your attention, but during some recent research I have been doing on lots, I kept noticing that several familiar names from the past kept popping up. So, I extended my research and am presenting it to you today for your review and action as appropriate.

The attachments herein will show a developing pattern that not only ties in with an investor run on our lots but then tying back to the same organization as either an owner or a Collector. This is most likely a legal matter but may also tie into the \$7.5 million judgment that we were never able to collect on.

This information comes directly from Saline and Garland County Records and my research started about a month ago, so it is relatively current.

**NRPI** – County records indicate that this group still shows as owning **42** properties in their name. *Question is that after all this time, why would records show they still own any properties?*

**CS Paradiso** – County records indicate that this group still owns **1,657** lots in their name.

*This is where things start getting interesting. Please note that **Stockbridge** shows up as their Collector's Mailing Address. Address information is also listed. **Same question as above.***

**Stockbridge Capital, LLC** – This group shows as owning **125** lots in the Village and the mailing address is the same as above and the ones below.

**Off Grid Land Investments, LLC** – This shows they own **39** lots and ties back into the name of CS Paradiso and Stockbridge.

**Once Upon a Brick, Inc.** – Owns **120** lots and ties back into CS Paradiso and Stockbridge.

**Apple Blossom Land Investments, LLC – Owns 9 lots and the Collector’s mailing address is Stockbridge Capital, LLC.**

*I mention a run on our State-owned lots by Investor Groups. While there are many more that I have discovered, all the above have ties back to this **Stockbridge Capital**. I had inadvertently left Apple Blossom off the original communication to the board.*

These may well be shell companies but the name that consistently keeps coming up is **Stockbridge** and somebody in that organization knows how to get the POA to a point of us being able to pierce the veil to satisfy our judgment.

At the very least it occurs to me there is another almost 2,000 lots sitting out there that we should have control over.

I would appreciate an update on any action taken as this has been a pet project of mine for many years.”

#### **Response:**

The response I got back from the Spokesperson for the board essentially said that some of these lots may have been a part of the recent purchase of the 2,115 lot, or that NRPI would have already sold them. The response went on to say that they would hold steady (*not do anything*) until the work on processing the 2,115 lots had been completed.

*While I trust that they may have done some research, I have a tough time understanding how the County Records have anything to do with the State records. County records show who is the owner of record; State owned have been taken back and belong to the state not the owner of record. They went to the State because they are in default and if the likes of NRPI and CS Paradiso show as still owning lots, then why?*

#### **The Puzzle:**



The POA has a history of ready, fire, aim. I have been inside and I have seen how the sausage is made. It isn't pretty. As an experienced consultant and strategist, it is just my nature to question how the sausage is made. It's not personal; it's not directed at individuals; it is directed at the process ( *which by the way is run by individuals*).

**As an Aside:**

While this article is about bringing forward an issue regarding lots that may well continue plaguing us into the future, the puzzle is comprised of many pieces that are head-scratchers. For instance, the recent decision to change out our garbage trucks. While it is always a good idea to look at ways to improve an operation, why is it that so many projects taken on wind up with what appears to be a ready, fire, aim result? It appears the attitude is that the property owners don't need to understand or even agree with what the board has approved. We are then left with questions that don't get answered. One of the rationales for the garbage truck was staff turnover. Someone, please show me the Return On Investment (ROI). Trucks will now have to travel twice as far as they did before because of the picking arm. More gas; more miles, more maintenance. I'd like to see how all that was accounted for. Minimum wage employees being turned over is nothing new but what is the cost of that turnover? Could you pay a little more and retain these people? Was that accounted for? Buying everyone a new

garbage can. Please. Did we produce a Request For Proposal (RFP) to determine if outsourcing was an option? Enough of that rant, back to the lot issue.

We have now purchased 2,115 lots from the State with one of the prime reasons being that it supposedly supports our **suspension strategy**. Apparently, our strategy is to suspend lots in underserved areas. Great. Do we own **every** lot in the suspension area? Because if we don't, the suspension strategy just fell apart. Our Declarations require that we build out areas **if only for one lot**. But here is the real head-scratcher for me. In the response I recently received from the Board, it essentially said they will wait until they finish processing the lots from the State sale before they consider looking at the information just provided. Let's talk for a second about one of the other strategies. It was to have lots available for builders and the Real Estate Partner Program (REPP). **WHAT?** So let me get this straight, you acquired 2,115 lots from the state and now you are going to figure out what to do with them. Again, I say, **WHAT?** Shouldn't that have been done before we acquired these lots? If it was apparently the board doesn't know about it because they just told me so in their response. Or, is there something else at play here? Would these lots be helpful in obtaining a "*quorum*" for the upcoming assessment increase?

Let's move onto the next head-scratcher associated with this issue. We had a \$7.5 million judgment against the likes of NRPI et al. We suspended the collection activity that had been ongoing for years on the advice of our law firm. All is well so far. The Board was told they had one year to reinstate the judgment. I have just given them documentation that MAY lead to some entity we could be attached to potentially get our judgment satisfied! Given that, would it seem prudent to take the precaution and get this in front of our attorneys, instead of sending me a dismissive email saying essentially, they will get to it after they have taken care of yet another ready, fire, aim issue? Upon receipt of the response from the board, I responded back indicating they had till next Wednesday, August 4, 2021, to reinstate the voluntary dismissal (one year grace period). How is this not an abrogation of one of the Boards' core responsibilities?

I get no pleasure out of **appearing** to be bashing our Board, and certainly not our employees. I appreciate the job the rank-and-file employees do. I'd be lying if I said I was pleased with our management team because I'm not. What has happened over time is that many have been promoted beyond their capabilities. This is not their fault. Most of us would have done the same thing had the opportunity ever presented itself. It all starts at the top and while you can place blame on the Boards who have rubber-stamped these ready, fire, aim issues, in their defense they are operating on information provided to them by staff. They neither have the time and in some cases the experience to evaluate RFP's, and in particular ROI's. Nor should they have to. You have to rely on staff to provide you the full picture. What your board is getting at this point is only what staff wants them to know along with their justification for projects that have not been properly or thoroughly vetted. That being said, it still remains a fact that the Board is the entity responsible for the ultimate decisions that are made.

Wrapping up this puzzling article, I can only hope that at some point along the path our board will focus on and correct the huge Village lot problem. They have been given adequate input to do so. But when it comes from the property owners, it just seems to get summarily dismissed. To me, that is the saddest part.

**About the Author:**

Before moving to the Village, Lloyd's career spanned 40 years. 28 of those years in Corporate America and then another 12 managing and operating his own business consulting firm. Sherman has held numerous titles as a General Manager (and/or higher) responsible for managing, planning, delegating, and decision making to attain desirable profit-making results for organizations. Many were just as (and frankly more) complex than our POA organization. A General Manager's function is not to have expertise in all of the disciplines that make up an organization, but the person in that position **MUST** have a proven track record of managing complex organizations and guiding them to operate more efficiently and better. This means: Financial Welfare and Quality of Services Delivered to the Customers (in this case Members). It all starts at the top and must be instilled all the way through an organization.

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