

Suit Filed Over Sale of Golf Club

BY DON SNYDER

Times Staff Writer

GLENDALE — Members of Chevy Chase Country Club are suing the course operators, their investment corporation and the local school district over an impending \$900,000 sale of the links to the district.

Named as defendants in the declaratory relief suit are the K and F Investment Corp., Richard Krotz and Raymond Freschi, and the Glendale Unified School District.

The action, filed in Glendale Superior Court by club board chairman Francis J. Hinckley on behalf of members, asks the court to determine if the membership has the right to a portion of the sale money and (2) whether the corporation is in violation of the Corporate Securities Act.

Allegation Denied

Freschi and Krotz strongly deny allegations in the suit.

The school board previously had indicated it would seek to condemn the golf course if the owners refused to sell.

The school district, according to attorney Mortimer G. Franciscus, legal counsel for Hinckley, is involved only as a stake holder in the sale.

Hinckley, in his complaint, contends that he and some 350 other club members have paid in excess of \$265,000 for memberships. Therefore, he believes, members have a beneficial interest and are entitled to compensation from the sale already agreed upon by the defendants.

The plaintiff also contends that the memberships come under the category of securities. If so, he further alleges, a portion of funds from membership fees may have been diverted by K and F for use in developing a 19-lot subdivision recently completed on the course property. This

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would constitute a violation of the Corporate Securities Act, the plaintiff contends.

The suit cites the course operators for failing to restore clubhouse and swimming pool facilities, which were shut down after a fire early this year.

Freschi and Krotz deny diverting membership funds in the 1962 subdivision development.

"We (K and F Corp.) had available 100% money for construction of the subdivision," Freschi says. "In fact we have taken profits from the subdivision to cover \$200,000 in course operational losses incurred since leasing the country club property five years ago. The basic reason for the housing development was to pick up course operation losses. Not many private golf courses can operate today without assistance of a housing subdivision or other aid."

Freschi says that upon first taking over operation of the club, "We consulted with the corporation commissioner to be certain these memberships were a simple license-to-use rather than securities."

Freschi notes the bulk of membership fees at Chevy Chase were sold during the first year of operation.

He says the club has only 175 active members at present.

"Our records show actual total memberships sold involving initiation fees amounted to \$167,000 of which \$52,600 has been refunded to members leaving the area or who have died," says Freschi. "In addition to the \$200,000 loss sustained by the operation, more than \$167,000 in improvements has been placed in the clubhouse and pool."

Freschi says the average membership fee is approximately \$500.

"Some of the members have indicated interest in buying the course themselves," Freschi states. "Unfortunately, they've had this opportunity for many years, and now, we believe, we are committed for a sale to the school district."

Krotz says the first day the district announced its \$900,000 offer, "We (the corporation) contacted Hinckley as a moral obligation to say if the sale were to be consummated, there would be an equitable re-

funds, especially to members joining in 1962 and 1963. There have been no memberships involving initiation

fees sold the past two years."

The course operator says he did not think the suit would cause delay of the sale. Dr. James H. Williams, school superintendent, says he is not certain if the litiga-

tion could postpone the sale.

Sale of the 37-acre golf course has been subject to heated controversy with protests lodged by club members and the Chevy Chase Estates Property Owners

Assn. to both City Council and the Board of Education.

The property owners contend the golf course should be retained as the only open-air recreational space in Chevy Chase Canyon.