

DAWSON ENTERPRISES, INC. Updated June 25, 2007

BACKGROUND: Curtis Daniel Dawson (Dan) is Wendell's brother, one of eight children. Dan is married to Lillie Mae Burrell Dawson. In the 1960's Dan and his spouse bought a house and approximately 80 acres of land at 2680 Lane Creek Rd, Bishop, Oconee County, Georgia 30621 (adjacent to Lane Creek Golf Club & Subdivision). Dan owned some cows and some farm equipment. He rented land from several Oconee land owners for his farming operations (Rebecca Barnette et al, Aycock, Maxey etc). Dan worked closely with their father, Rayford T. Dawson, and with their late brother, James Terry Dawson, until he and Terry had a very angry 'falling out' in the early 90's.

In the 1970's, their father, Rayford, became eligible for Social Security and reduced some of his farming operations. It was Wendell's understanding that Dan bought some of Rayford's older equipment. In the 70's and 80's, the USDA Farm Subsidy program paid subsidies to farmers based on a formula relating to acreage, use etc. Sometimes, these payments exceeded the rent that Dan paid to the landowners.

In the 70's and 80's, Dan expanded his farming operations and incurred substantial debt. Dan and his wife made several large low-interest loans with USDA's Farmers Home Administration (Athens Office). **Dan's last loan deed was dated August 23, 1983.** Wendell was closing attorney on that loan and some earlier ones. Several outstanding loans were listed on the Security Deed to FmHA recorded at Deed Book 56, Pages 207-210, in the Superior Court of Oconee County.

Some drought years and other setbacks caused problems for many farmers in the mid and late 1980's. FmHa was finding a number of farmer-debtors to be in default. To liquidate its delinquent loans, FmHa starting valuing assets and agreeing to "release assets" from security deeds for the market value of the collateral.

Dan was one who was in delinquent status for several hundred thousand dollars. Dan had old equipment and assets worth considerably less than his debt. Dan was insolvent. FmHa valued Dan's home and land at \$100,000 and said it could be transferred to someone for that amount. In trying to help farmers stay in their homes, they would let the farmer-borrower suggest or designate the buyer. Title was vested in the farmer-debtor who would then make a voluntary direct transfer to the designee.

The Dawson's had been a close family. Wendell had helped his father and all of his siblings in legal matters and personal matters especially after opening his law office in Watkinsville in July 1970. Dan came to Wendell around 1986 trying to find a way to keep his farm. A possible sale to a poultry operation was considered and explored by Dan and Wendell. That plan did not work out. It was then considered that Wendell could provide funds and acquire Dan's assets from FmHa, free of the large indebtedness.

Wendell discussed the debt situation with Dan, reviewed the assets, debt, and talked with FmHa representatives and local lenders. **The purchase and settlement would involve Wendell's buying the assets from Dan and his wife and Wendell paying the \$ 100,000 to FmHa as consideration for the transfer and FmHa's release of the mortgages** owing which far exceeded the value of the property. It was made clear by FmHa that the assets could not be released to the debtor-Dan & spouse- because it was a formal liquidation and they were insolvent and eligible for filing under the Federal Bankruptcy Act.

The first request from Dan came around the summer of 1986. There were many factors for consideration by Wendell. **Most of this was confidential. There was personal concern for the welfare of Dan and his family losing their home and having to move.** The public and family embarrassment was a significant consideration. Wendell had a successful law practice in the 1980's and owned several assets including land on Georgia Highway 15, office buildings in Watkinsville, rental houses and a residence. Wendell had sufficient net worth to handle the debt.

Wendell arranged a loan for \$ 100,000 at Oconee State Bank, using some of Wendell's personal assets as collateral. Wendell used the proceeds to pay to FmHa and obtain release of Dan's home and land. Dan and his spouse then conveyed the house and land by Warranty Deed to Wendell on September 23, 1986, (recorded at Deed Book 81, Page 25, Oconee County Clerk's Office). On October 1, 1986, the real estate was transferred to the Corporation subject to the debt. The Corporation agreed to buy farm equipment and cows from Dan and his wife for \$ 43,200.00 subject to release by FmHa. Bills of sales were executed by Dan (and wife) to the corporation on October 7, 1986. Wendell provided personal funds and borrowed the balance.

In order to keep Dan's situation separate from Wendell's personal business, and to avoid embarrassment for Dan and his wife, it was decided to incorporate under a family name. While Wendell dealt with FmHa individually, **Wendell also set up the Corporation and transferred** all assets and indebtedness and farming operations to the Corporation.

Dawson Enterprises, Inc. was incorporated on September 29, 1986. It was a 'for profit' Georgia Corporation with **Wendell as the sole stockholder, director, and registered agent. FmHa considerations prevented Dan or his wife from being an owner or director.** The corporation was a C corporation and was created as such so that the tax of the corporation would not be co-mingled with Wendell's personal tax liabilities. Also the C arrangement allowed the assets of the corporation to be held completely separate of Wendell's personal holdings so that no co-mingling of assets occurred and the entire assets and gain from operations were turned back over to Dan and his family.

To avoid public embarrassment for Dan and his family, only a few persons knew of the arrangements: our father, spouses, children and lenders.

Dan was named Farm Manager to operate the farm and to allow the general public to think he was still owner and operator of his farm. To reduce the debt at Oconee State Bank it was agreed to sell approximately 32 acres of the land—one of 30 or so acres to James & Vanessa Hunter and a residential lot to Donald Hardigree. Some farm equipment was sold. A friend of Dan's bought some of it and worked in a partnership with him on some farming operations. The proceeds of the sales went toward the debts.

In 1989, Wendell arranged for permanent financing with the Federal Land Bank in Madison and paid Oconee State Bank. Wendell had conveyed all of Dan's assets to Dawson Enterprises, Inc. who then gave a security deed to Federal Land Bank securing the note of the Corporation. The debt was **PERSONALLY GUARANTEED BY WENDELL T. DAWSON.**

The **Dawson Enterprises, Inc activities had its own check book (largely posted by Betty P. Dawson, spouse of Wendell)** in which all farm receipts were deposited and all checks were written. From 1986 until, January 1998, Wendell did all of the annual

registrations with the Georgia Secretary of State, filed annual or periodic financial statements of value, filed State and Federal Tax Returns, including both income and employer returns. From February 1995 forward, a monthly salary check was paid to Dan for his personal living expenses.

All bills were reviewed by Wendell and were paid monthly and the checking account balanced. Wendell prepared the loan applications, net worth and financial statements and other reports periodically for the corporation. **Little, if any payment was made directly to Wendell or Betty by the Corporation in the early years**, other than out of pocket expenses because of the limited and irregular income of the Corporation. Disbursements were made for debt payment and operating expenses.

In the late eighties, Dan was having some personal family challenges. He came to talk to Wendell on a number of occasions and Wendell listened and helped as Wendell could legally. Some of the problems dealt with minors and remained confidential with few others being aware of them. On one particular morning, Wendell remembers Dan being depressed and upset. One of his teenaged children had "left home" upset. That morning and many other occasions Dan talked openly and broadly about his problems. He told Wendell that his wife and children were upset with him and Wendell about the farm. Dan said, "They thought we were going to move from the farm." Dan said they hated the place. Dan also told me, "They also resent you and the property situation. They like and want your money but do not like the arrangement."

Wendell was very sympathetic to Dan's plight. Wendell felt some personal pain upon learning of the resentment even though Wendell had gone to considerable lengths to save Dan's home and reputation. Dan acknowledged that. Family pride and reputation were always very important to all of us. Dan and his family had lived a very comfortable middle-class social life during the 70's and 80's, much of it on borrowed money. The adjustment to changed circumstances had been a challenge. Dan was grateful to Wendell for helping him and allowing Dan to save face in the community. There was a sibling bond and love, at least on the part of Wendell.

To avoid a Capital Gain tax for Dan and his wife, **the CPA advised that the Corporation title the house and the curtilage or yards in Dan and his wife** by Warranty Deed dated March 7, 1989. Because of the history with FmHa, and for security of mortgages, and Wendell's personal financial liability, the house was conveyed to Dan and his wife with **a note and security deed of \$ 50,000 was executed to the Corporation**. The note was dated March 7, 1989 and bore interest at 9.0 %.

Dan never made any payments on the note. Interest accrued. The tax accountant, CPA Jimmy Christopher, strongly advised that the interest at least must be paid. For several years, Wendell would calculate the accrued interest and show it as a "corporate bonus" to Dan, as farm manager, in the Minute Book to show credit on Dan's debt. These transactions were reported on tax returns.

Meanwhile, Dan became involved in a **chicken litter removal and spreading operation**. Some equipment was purchased by Dawson Enterprises, Inc and other equipment was used. However, Dan kept this income separate and never turned it over to the corporation. While Wendell doubted the wisdom of Dan being involved personally with assets so soon after insolvency, there were sufficient funds to pay the mortgage and recurring expenses. Wendell never objected or inquired much about the litter operation outside the corporation.

Dan's business grew and he and Terry (brother) sometimes worked together in litter removal. Wendell was not involved in those arrangements.

On October 20, 1994, an employee or associate of Dan, **Harry Long, was killed on a road near Bostwick** while driving one of Dan's spreader trucks. Dan called Wendell to help with the situation. Wendell and Betty went to the scene and went with Dan to tell the relatives of Harry about his death.

Harry had owned a broiler operation consisting of three tracts of land and **six large chicken houses on Snow's Mill Road**. Harry had tens of thousands of chickens on hand. His elderly father-in-law had to tend the chickens. The father-in-law had been retired and did not want to "go back in the chicken business". They offered to sell the houses, (lock, stock and barrel), to Dan for \$100,000. Dan and others thought this was a good deal.

Wendell and Dan investigated a poultry company to work with and sought financing. **Federal Land Bank agreed to provide the purchase money of \$100,000.00 PROVIDED** that the new property, assignment of poultry checks, and Wendell's **PERSONAL GUARANTY**, were given as security. Wendell then arranged the financing, title work and closing. Ms. Long conveyed the property (9.844 acres) to Dawson Enterprises, Inc by Deed dated February 1, 1995, (recorded at Deed Book 328, Pages 184-5, said records). A security deed from Dawson Enterprises, Inc. was given to West Georgia Farm Credit (formerly Federal Land Bank) to secure a loan of \$157,000 dated February 1, 1995, recorded at Deed Book 328, Pages 179-183, said records.

The poultry operations then became the chief source of income for Dawson Enterprises, Inc. After payment toward the mortgage, net proceeds were then mailed by the Poultry Company to Dawson Enterprises, Inc. **The Corporation then paid a salary to Dan and all expenses. Because there were income funds, the monthly salary was around \$1,900.00. This** continued for several years and was ongoing when Wendell transferred the Corporation stock to Dan and his family in calendar years, 1997, 1998 and 1999.

During the time Wendell was sole owner of Dawson Enterprises, Inc, Dan bought a parcel of land in front of his house that became available. Dan bought it personally and arranged financing through Oconee State Bank. Wendell handled the closing. Dan later conducted a "truck farm" or active pea business on this lot. It was not part of Dawson Enterprises, Inc.

In later years, Dan inquired about having the corporate assets transferred to him. Dan investigated assuming the loans with Federal Land Bank and was told that at least seven years needed to pass before he could be considered for a loan. After buying the chicken houses on Snow's Mill Road, the debt was significantly increased and required Wendell's continuing involvement and guaranty.

The 1980's involved unusually high interest rates with lenders. The Dawson Enterprises, Inc indebtedness "counted" towards Wendell's personal indebtedness and limited Wendell's personal borrowing capacity and flexibility. During this time, Wendell was serving as Chairman of the County Commission for a salary of \$12,000.00 a year and his law practice was reduced in activity. To help with Wendell's own debt service, Wendell sold portions of and later all of the property on GA Highway 15 to ease his financial pressure.

Wendell & Dan's father, Rayford T. Dawson, died in June 1995. Wendell had prepared a Will and Powers of Attorney for his father in the mid eighties. Rayford named a son and daughter, Dan and Margaret, (Dan was familiar with cows and farm and Margaret lived next door) as Agents and as Co-Executors under Rayford's Will. Rayford also named Wendell as attorney for the estate and as tie-breaker.

Within the next two years, Dan sold Rayford's farm equipment and cows and placed the money in a lifetime trust account for Rayford's widow who was in ill health and died in July 1998. **Dan's attitude and conduct toward Wendell changed.** He began to confer less and less with Wendell on the Rayford T. Dawson estate.

Wendell and other siblings observed some questionable actions that appeared to be self-dealing. Dan claimed he was the owner of Rayford's tractor with a value of approximately \$8,000.00 and took title and possession of same over questioning & objection by Wendell and three sisters. Most of the siblings did not agree to that claim.

Dan did not tell Wendell or provide written details to the family on the sale of Rayford's assets or renting by Dan of the Rayford Dawson Farm and the disposition of USDA payments. **Dan eventually ceased conferring with Wendell on the estate matters entirely. Dan also ceased relations with the Accountant, Jimmy Christopher.** Dan conferred with several law firms before employing Henry & Bruce (around 2002) to represent himself and the estate. **Dan & Margaret later charged** a full Executor's Commission of about **\$ 80,000.00 for their service as Executors.**

In mid 1997, Dan insisted the Corporation "be turned over to him" because he was 53 years of age and "wanted to handle his own business". While Wendell understood and appreciated Dan's feelings, Wendell was aware of and mentioned the issues involved: Wendell's ownership of a Corporation with a net worth of \$ 371,000 could not just be "given to Dan".

There were gift tax consequences and other tax implications- primarily for Wendell. In addition, **Wendell was personally liable on the mortgage to the Federal Land Bank with a balance of \$ 141,929.00.** Other creditors and the poultry company had Wendell listed personally on the accounts. The Corporation had two checking accounts (total funds of approximately \$ 14,750 (one was a savings account) at Oconee State Bank with Wendell and wife as the signatories on them. These were issues that Dan either did not comprehend or with which he was not concerned, especially about the impact on Wendell personally regarding tax matters.

Wendell also pointed out that Wendell (and his wife and office) had put in untold hours in the setting up and managing the corporation. **For many years, because of limited income, Wendell was basically paid expenses, i.e., (secretary expense, filing costs, and Minute Book etc. For years, Wendell and Dan had conferred in person, at least once monthly, on Corporate operations and billing.**

Wendell had also "paid a price" for having his credit capacity encumbered for several years. Wendell felt his talents and efforts had helped the Corporation increase in value from a net value of 0 (\$ 100,000 in indebtedness) to an estimated net worth value of \$ 371,000 in January 1997. Dan said "You deserve something for what you have done". **"I appreciate your help" or something like that. Wendell's wife heard him say that on more than one occasion.**

Wendell talked with Federal Land Bank to make sure it did not object to Wendell turning over the Corporation and assets to Dan. After conferring with the Accountant and giving it much thought as to legal and tax consequences and Wendell's own equity in the Corporation, it was decided to **"Gift" the Stock to Dan and his wife and four children in three tax years.**

Wendell transferred half interest in the corporate stock to his wife, Betty, so they could double the annual gift tax exclusion of \$ 10,000 per person. With six donees (Dan, spouse and four children) and two donors, Wendell & Betty could exclude at least \$ 120,000.00 annually. **Three tax years for Wendell would be sufficient to convey the corporate assets worth \$ 371,000.00.**

It was late in 1997 so it was decided to make the first transfer in December, the second in January of 1998 and a third and final transfer in January 1999. After the January 1998 transfer, Betty and Wendell would be minority shareholders. **Wendell's office staff proceeded to draft corporate minutes, change corporate registration, signature cards at Oconee State Bank, write letters notifying all creditors and other matters** before releasing the books and checking account to Dan in early January 1998.

Wendell prepared a Corporate Resolution dated December 29, 1997, for the Minute Book, reciting the plans to transfer the corporation. Wendell's law office staff prepared the Corporate Minutes for the change in officers and stockholders in January 1998 and filed the notice with the Georgia Secretary of State as well as written **notice to all creditors** of the corporation as of January 2, 1998. Wendell's secretary met with Dan and his family as they came to sign receipts for stock shares and to sign their shares over to Dan. The transfers had to work around everybody's holiday schedule. A couple of family members were out of state. The same share transfer process was scheduled to take place in early January 1999 to complete the transfer. Dan called Wendell's secretary on December 17 and arranged for an early signing by him and his family because of Christmas travel plans.

During these transfers, **Wendell was full-time Chairman of the Oconee County Commission and was not in his law office during regular hours.** Wendell reviewed and provided instructions in the early morning and in the evening hours.

At the time Wendell transferred the Checking Accounts (Oconee State Bank) to Dan on January 1, 1998, the balances were:

1. Savings Acct # 0000579483 was \$2,730.05;
2. Checking Acct # 0000126746 was \$12,044.62.
3. **TOTAL FUNDS TRANSFERRED: \$14,774.67.**

After review of all assets, time and effort invested, Wendell determined, as sole shareholder and director, that **Wendell deserved \$15,000 as an equity payment.** Realizing the cash flow needs of the corporation, **Wendell took a note and security deed from Dawson Enterprises, Inc. dated December 29, 1997, for \$15,000. The security deed gave Wendell added protection for the secured deed liability Wendell still had with the Federal Land Bank on the notes Wendell had personally signed with them.** The Security Deed was filed for record on December 31, 1997, and recorded in Deed Book 419, Page 367-71, in the Office of the Clerk of Superior Court of Oconee County, Georgia.

During the late nineties, much of Wendell's time was devoted to his fulltime duties as Chairman of the County Commission. Wendell was not usually present when **Dan and his family signed various documents or left papers at Wendell's office or home. Dan and his family seemed outwardly happy to have the Corporation turned over to them.**

Dan paid the note and Wendell satisfied the Security Deed on January 10, 1999, with a cashier's check from Oconee State Bank. Wendell filed the Security Deed for cancellation of record and same was stamped satisfied by the Clerk of Superior Court on January 11, 1999. Wendell's office billed Dawson Enterprises, Inc. for \$75.00 for the cancellation and filing on January 15, 1999, and for the 99 stock transfer. The bill was paid by Dawson Enterprises, Inc by check # 0984 dated January 21, 1999, signed by Curtis Daniel Dawson. **Until suit was filed in late December 2003, Dan had never voiced any objection or complaint to Wendell or his wife about any of this.**

POST SCRIPT: Subsequent to the transfer, Dan's conferring with Wendell and informing Wendell on their parents' estate became non-existent. Wendell tried writing him and Margaret and the rest of the family in seeking information and a winding up of the estates and distribution of the assets to the eight beneficiaries.

In 2001, after retiring as County Commission Chair, Wendell began to learn that Dan (and others) were "bad-mouthing" Wendell. Wendell understood that Dan had been saying that Wendell "cheated or stole money" from Dan. Dan approached their six siblings one-on-one and tried to convince them Wendell had cheated him and to get their support for not using Wendell as the Estate Attorney as provided in Rayford's Will. Since the siblings (and others) had very limited knowledge of Dawson Enterprises, Inc., they were confused and did not know "which brother to believe" for a while. Two siblings later sided with Dan, counting the Co-Executor (who became estranged from the rest of the family). One sibling (David) became openly critical of Wendell with others and repeated the "cheating story" while knowing nothing about the operation except what Dan told him.

Wendell also learned that some family correspondence and communications from Wendell had been leaked to political adversaries during the last year of Wendell's public service. **It was an emotional blow to Wendell to learn that Dan had "turned on Wendell" and become one of Wendell's worst enemies and biggest critics on this earth.** In time, the **three other sisters, Barbara, Dianne and Phyllis and Terry's family (Terry died in summer of 2002), learned the truth about Dawson Enterprises, Inc. They lost confidence in Dan,** as Executor, as they learned more and more about Dan's misrepresentations and self-dealing.

Wendell, three sisters and Terry's Estate sought Dan's removal as Executor of Rayford's Estate in 2003 and 2004. The action by the five siblings against Dan resulted in an increased price for the farm over the contract price Dan had agreed to without family discussion. **The Court then approved the distribution and ordered that Rayford's estate be closed. Final distribution of that estate was made in June 2004, almost six years after the death of Lois T. Dawson, Widow of Rayford, who had a life income.** Lois's estate had limited assets but has not been closed officially.

GOOD FAITH: Wendell entered into Dawson Enterprises, Inc. as a way of "saving" and helping a brother. Wendell's motives were completely altruistic. Wendell even made provisions in his Will and a note to his accountant and wife about the status of Dawson Enterprises, Inc. in the event of his death or disability. Legally, economically, and title wise

on real estate, Wendell was the sole owner of the corporation. *Wendell did not want to exploit the situation or receive private gain from it. Wendell's equity payment (\$15,000) was nominal compared to the value of assets returned to Dan (\$371,000).*

Over the years, Wendell and his wife, and most of Wendell's sisters, came to believe that Dan and his family lived in a "fantasy world" as to their social and financial status. They had "to keep up the appearance" regardless of their financial status. Additionally, Wendell, his wife, three sisters and others came to realize that Dan (and wife) have an uncanny ability and tendency to distort and spin events to make them appear as innocent victims. **Dan has even "blamed" some of his failures on his father, his late brother, Terry Dawson, and now Wendell, as well as many others over the course of his adult life.**

On or about **December 26, 2003, Dan filed suit against Wendell personally in Oconee County Superior Court accusing Wendell of fraud and deceit. Suit was served on Dec 30, 2003, at Wendell's home.** Wendell's county retirement announcement, August 2000, was made on Wednesday and first appeared in the Athens Banner-Herald resulting in a vendetta by the Oconee Enterprise against Wendell. The suit was intended and did receive headline coverage in The Oconee Enterprise.

It became obvious to Wendell and others that **Dan was receiving support and encouragement from some of Wendell's political adversaries.**

In recent months, Dan has publicly stated that the **assets Wendell transferred back to Dan by gift (less the \$15,000) has a market value of at least \$1.3 Million.** The farm is located near Lane Creek Golf Club and Subdivision on Lane Creek Road. It also adjoins property of Select Trees.

CONCLUSION: Tis proof of the old Chinese Proverb: **'NO GOOD DEED GOES UNPUNISHED!'**