

SECURITIES AND EXCHANGE COMMISSION

FORM S-8

Initial registration statement for securities to be offered to employees pursuant to employee benefit plans

Filing Date: **1999-07-27**
SEC Accession No. **0000950150-99-000882**

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FILER

SUNTERRA CORP

CIK: **1016577** | IRS No.: **954582157** | State of Incorporation: **MD** | Fiscal Year End: **1231**
Type: **S-8** | Act: **33** | File No.: **333-83771** | Film No.: **99670508**
SIC: **7000** Hotels, rooming houses, camps & other lodging places

Mailing Address

*1875 SOUTH GRANT STREET
SUITE 650
SAN MATEO CA 94402*

Business Address

*1781 PARK CENTER DRIVE
SUITE 650
ORLANDO FL 32835
6503127171*

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 27, 1999
 Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549

FORM S-8
 REGISTRATION STATEMENT
 UNDER
 THE SECURITIES ACT OF 1933

SUNTERRA CORPORATION
 (Exact Name of Registrant as Specified in Its Charter)

MARYLAND
 (State or other jurisdiction
 of incorporation or organization)

95-4582157
 (I.R.S. Employer
 Identification No.)

1781 PARK CENTER DRIVE
 ORLANDO, FLORIDA 32835
 (Address of principal executive offices)

94402
 (Zip Code)

THE 1998 NEW-HIRE STOCK OPTION PLAN OF SUNTERRA CORPORATION

THOMAS A. BELL
 SENIOR VICE PRESIDENT AND
 GENERAL COUNSEL
 SUNTERRA CORPORATION
 1781 PARK CENTER DRIVE
 ORLANDO, FLORIDA 32835
 (407) 532-1000
 (Name, address, including zip code, and telephone number,
 including area code, of agent for service)

COPY TO:

MICHAEL W. STURROCK, ESQ.
 LATHAM & WATKINS
 633 WEST FIFTH STREET, SUITE 4000
 LOS ANGELES, CALIFORNIA 90071
 (213) 485-1234

<TABLE>
 <CAPTION>

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT OF SHARES TO BE REGISTERED (1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE (2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (2)	AMOUNT OF REGISTRATION FEE
<S> Common Stock, \$0.01 par value.....	<C> 250,000	<C> \$13.75	<C> \$3,437,500	<C> \$956

</TABLE>

- (1) The 1998 New-Hire Stock Option Plan of Sunterra Corporation (the "Plan") authorizes the issuance of a maximum of 250,000 shares of common stock of Sunterra Corporation, plus substitutions or adjustments to shares to account for any change in corporate capitalization, such as a stock split, any merger, consolidation, recapitalization or other distribution of stock or property.
- (2) For purposes of computing the registration fee only, pursuant to Rule 457(c), the proposed Maximum Offering Price Per Share is based on the average of the high and low trading prices of the Company's common stock on the New York Stock Exchange on July 22, 1999.

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PART I

Item 1. Plan Information

Not required to be filed with this Registration Statement.

Item 2. Registrant Information and Employee Plan Annual Information

Not required to be filed with this Registration Statement.

PART II

Item 3. Incorporation of Documents by Reference

The following documents filed with the Securities and Exchange Commission (the "Commission") by the Sunterra Corporation, a Maryland corporation (the "Company"), are incorporated by reference in this Registration Statement on Form S-8 (the "Registration Statement"):

- (a) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998;
- (b) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999;
- (c) The Company's Current Report on Form 8-K filed with the Commission on May 11, 1999; and
- (d) Description of the Company's Common Stock contained in the Company's Registration Statement on Form 8-A filed with the Commission on January 21, 1998.

All documents filed by the Company pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), after the date of this Registration Statement and prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, are incorporated by reference in this Registration Statement and are a part hereof from the date of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Item 4. Description of Securities

Not required to be filed with this Registration Statement.

Item 5. Interests of Named Experts and Counsel.

Not applicable.

Item 6. Indemnification of Directors and Officers

Maryland law presently permits the liability of directors and officers to a corporation or its stockholders for money damages to be limited, except (i) to the extent that it is proved that the director or officer actually received an improper benefit or profit, or (ii) if a judgment or other final adjudication is entered in a proceeding based on a finding that the director's or officer's action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding. This provision does not limit the ability of the Company or its stockholders to obtain other relief, such as an injunction or rescission.

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The Company's Charter and Bylaws require the Company to indemnify its directors, officers and certain other parties to the fullest extent permitted from time to time by Maryland law.

The Maryland General Corporation Law presently permits a corporation to indemnify its directors, officers and certain other parties against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service to the corporation unless it is established that (i) the act or omission of the indemnified party was material to the matter giving rise to the proceeding, and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty; or (ii) the indemnified party actually received an improper personal benefit in money, property or services; or (iii) in the case of any criminal proceeding, the indemnified party had reasonable cause to believe that the act or omission was unlawful. Indemnification may be made against judgments, penalties, fines, settlements and reasonable expenses actually incurred by the director or officer in connection with the proceeding; provided, however, that if the proceeding is one by or in the right of the corporation, indemnification may not be made with respect to any proceeding in which the director or officer has been adjudged to be liable to the corporation. In addition, a director or officer may not be indemnified with respect to any proceeding charging improper personal benefit to the director or officer in which the director or officer was adjudged to be liable on the basis that personal benefit was improperly received. The termination of any proceeding by conviction, or upon a plea of nolo contendere or its equivalent, or an entry of any order of probation prior to judgment creates a rebuttable presumption that the director or officer did not meet the requisite standard of conduct required for indemnification to be permitted.

The Company has obtained a directors and officers liability insurance policy with total coverage in the aggregate amount of \$25 million. The directors and officers liability policy insures (i) directors and officers of the Company from any claim arising out of an alleged wrongful act by such persons while acting as directors and officers of the Company, (ii) the Company to the extent that it has indemnified the directors and officers for such loss, and (iii) the Company for losses incurred in connection with claims made against the Company for covered wrongful acts.

Item 7. Exemption from Registration Claimed

Not applicable.

Item 8. Exhibits

The following is a list of exhibits filed as part of this Registration Statement, which are incorporated herein:

- 4.1 Indenture dated as of January 15, 1997 by and between Sunterra Corporation and Norwest Bank Minnesota, National Association, as trustee for the 5.75% Convertible Subordinated Notes of Sunterra Corporation due 2007 (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (No. 333-30285))

4.2 Indenture dated as of August 1, 1997 by and between Sunterra Corporation and Norwest Bank Minnesota, National Association, as trustee for the 9.75% Senior Subordinated Notes of Sunterra Corporation due 2007 (incorporated by reference to Exhibit 4.2 to Amendment No. 1 to the Company's Registration Statement on Form S-3 (No. 333-30285))

4.3 Indenture dated as of April 15, 1998 by and between Sunterra Corporation and Norwest Bank Minnesota, National Association, as trustee for the 9.25% Senior Notes of Sunterra Corporation due 2006 (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-4 (No. 333-51803))

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4.4 Indenture dated as of May 1, 1998 by and between Sunterra Finance L.L.C., as issuer of the bonds, Sunterra Corporation as Servicer and LaSalle National Bank, as Trustee and Back-up Servicer for Signature Resorts Vacation Ownership Receivables-Backed Notes 1998-A (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998)

*5.1 Opinion of Ballard Spahr Andrews & Ingersoll

10.1 1998 New-Hire Stock Option Plan of Sunterra Corporation (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998)

*23.1 Consent of Arthur Andersen LLP

*23.2 Consent of KPMG

*23.3 Consent of Ballard Spahr Andrews & Ingersoll (included as part of Exhibit 5.1)

*24 Power of Attorney (included on the signature page of this Registration Statement)

*Filed herewith

Item 9. Undertakings

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the "Securities Act");

(ii) To reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the

aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in this Registration Statement;

provided, however, that paragraphs (1)(i) and (1)(ii) shall not apply if this Registration Statement is on Form S-3, Form S-8 or Form F-3 and the information to be included in a post-effective amendment to those paragraphs is contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Exchange Act, that are incorporated by reference in this Registration Statement.

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(2) That, for purposes of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Company certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Orlando, State of Florida, on this 19th day of July, 1999.

SUNTERRA CORPORATION

By: /s/ Thomas A. Bell

 Thomas A. Bell
 Senior Vice President,
 General Counsel and Secretary

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Thomas A. Bell and Richard Goodman, and each of them, with full power to act without the other, such person's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign this Registration Statement, and any and all amendments thereto (including pre- and post-effective amendments) or any registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with exhibits and schedules thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary or desirable to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement on Form S-8 has been signed below by the following persons in their capacities and on the dates indicated.

<TABLE> <CAPTION>	SIGNATURE -----	TITLE -----	DATE ----
<S>	/s/ ANDREW J. GESSOW ----- Andrew J. Gessow	<C> Co-Chairman of the Board	<C> July 19, 1999
	/s/ STEVEN C. KENNINGER ----- Steven C. Kenninger	Co-Chairman of the Board	July 19, 1999
	/s/ L. STEVEN MILLER	Director, President and Chief	July 19, 1999

L. Steven Miller

Executive Officer (Principal
Executive Officer)

</TABLE>

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<TABLE> <S>	<C>	<C>
----- /s/ JAMES E. NOYES ----- James E. Noyes	Executive Vice President -- Sales and Director	July 19, 1999
----- /s/ OSAMU KANEKO ----- Osamu Kaneko	Director	July 19, 1999
----- /s/ ADAM M. ARON ----- Adam M. Aron	Director	July 19, 1999
----- /s/ SANFORD R. CLIMAN ----- Sanford R. Climan	Director	July 19, 1999
----- /s/ J. TAYLOR CRANDALL ----- J. Taylor Crandall	Director	July 19, 1999
----- /s/ JOSHUA S. FRIEDMAN ----- Joshua S. Friedman	Director	July 19, 1999
----- /s/ W. LEO KIELY III ----- W. Leo Kiely III	Director	July 19, 1999

</TABLE>

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INDEX TO EXHIBITS

<TABLE> <CAPTION> EXHIBIT ----- <S>	<C>	PAGE ----- <C>
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</TABLE>

 *Filed herewith

[LETTERHEAD OF BALLARD SPAHR ANDREWS & INGERSOLL, LLP]

July 26, 1999

Sunterra Corporation
1781 Park Center Drive
Orlando, Florida 32835

Re: Sunterra Corporation, a Maryland corporation (the "Company") -
Registration Statement on Form S-8 (Registration No. 333-_____)
pertaining to Two Hundred Fifty Thousand (250,000) Shares (the
"Shares") of common stock, par value one cent per share ("Common
Stock") pursuant to the 1998 New-Hire Stock Option Plan of
Sunterra Corporation (the "Plan")

Ladies and Gentlemen:

In connection with the registration of the Shares under the Securities Act of 1933, as amended, by the Company on Form S-8, to be filed with the Securities and Exchange Commission (the "Commission") on or about July 26, 1999 (the "Registration Statement"), you have requested our opinion with respect to the matters set forth below.

We have acted as special Maryland corporate counsel for the Company in connection with the matters described herein. In our capacity as special Maryland corporate counsel to the Company, we have reviewed and are familiar with proceedings taken and proposed to be taken by the Company in connection with the authorization, issuance and sale of the Shares, and for purposes of this opinion have assumed such proceedings will be timely completed in the manner presently proposed. In addition, we have relied upon certificates and advice from the officers of the Company upon which we believe we are justified in relying and on various certificates from, and documents recorded with, the State Department of Assessments and Taxation of Maryland (the "SDAT"), including the charter of the Company (the "Charter"), consisting of Articles of Incorporation filed with the SDAT on May 28, 1996, Articles of Amendment filed with the SDAT on June 13, 1996, Articles of Amendment filed with the SDAT on August 20, 1996, Articles of Amendment filed with the SDAT on July 14, 1998 and Articles of Restatement filed with the SDAT on July 14, 1998. We have also

BALLARD SPAHR ANDREWS & INGERSOLL, LLP

Sunterra Corporation

July 26, 1999

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amended through the date hereof (the "Bylaws") and resolutions of the Board of Directors of the Company and the stockholders of the Company adopted on or before the date hereof and in full force and effect on the date hereof and such other laws, records, documents, certificates, opinions and instruments as we have deemed necessary to render this opinion.

We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the originals of all documents submitted to us as certified, photostatic or conformed copies. In addition, we have assumed that each person executing any instrument, document or certificate referred to herein on behalf of any party is duly authorized to do so.

Based on the foregoing, and subject to the assumptions and qualifications set forth herein, it is our opinion that the Shares have been duly reserved for issuance by the Company as direct stock awards or upon the exercise of options granted under the Plan, and when such Shares are duly authorized for issuance by the Board of Directors and are issued and delivered as direct stock awards or upon the exercise of options under the Plan and the consideration for such Shares has been received in full by the Company, all in accordance with the Plan and any such options, such Shares will be validly issued, fully paid and non-assessable.

We consent to your filing this opinion as an exhibit to the Registration Statement, and further consent to the filing of this opinion as an exhibit to the applications to securities commissioners for the various states of the United States for registration of the Shares. We also consent to the identification of our firm as Maryland counsel to the Company in the section of the Prospectus (which is part of the Registration Statement) entitled "Legal Matters".

The opinions expressed herein are limited to the laws of the State of

Maryland and we express no opinion concerning any laws other than the laws of the State of Maryland. Furthermore, the opinions presented in this letter are limited to the matters specifically set forth herein and no other opinion shall be inferred beyond the matters expressly stated.

Very truly yours,

/s/ BALLARD SPAHR ANDREWS & INGERSOLL, LLP

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

As independent certified public accountants, we hereby consent to the incorporation by reference in the Form S-8 Registration Statement filed by Sunterra Corporation on or around July 26, 1999, under the Securities Act of 1933 to register 250,000 shares of \$0.01 par value Common Stock in connection with the 1998 New-Hire Stock Option Plan, of our report dated February 10, 1999, included in Sunterra Corporation's Form 10-K for the year ended December 31, 1998, and to all references to our Firm included in this registration statement.

/s/ Arthur Andersen LLP

July 26, 1999
Orlando, Florida

CONSENT OF INDEPENDENT AUDITORS

23 July 1999

Dear Sirs

We consent to the incorporation by reference in the registration statements S-8 to be filed on or about 23 July 1999 of Sunterra Corporation (formerly Signature Resorts Inc) of our report dated March 27, 1997, with respect to the consolidated financial statements of LSI Group Holdings Plc (now Sunterra Europe (Ground Holdings) plc) at December 31, 1996, which report appears in the December 31, 1998 annual report on form 10-K of Sunterra Corporation.

Yours faithfully

/s/ KPMG

KPMG
Chartered Accountants