

Answering the Question

A recent email message poses the question: can anyone please explain how it appears that these boards have lost control to a third party vendor?"

Neither the question nor the answer are of recent vintage. In 1999 a position paper was prepared for the "Residents Reform Committee" making specific reference to the "PCM Management Agreement—1980, 1992, 1996." Some of the comments of that paper raise the same issues that we face today. Examples are given below, quoting from the 1999 paper.

"ITEM 1. The 1980 management agreement with PCM was quite fair in most aspects. It clearly states that ALL employees and independent contractors necessary to render services and perform duties shall be hired and retained in and by PCM. Agent. Nothing shall create any employer-employee relationship between OWNER (3 mutuals & GRF Board) and any employee of agent (ARTICLE 3A). This has been maintained through the 1992 & 1996 contract." The attorneys representing the mutuals and GRF in this community have repeatedly insisted that this arrangement with the employees must be maintained. The result of that arrangement is also shown in the 1999 paper.

"ITEM 2. PCM has complete access to ALL money collected in association dues, and authorized to make ALL disbursements due, and payable by owner, including costs and expenses authorized and incurred by the Agent (PCM) for salaries of agent's employees and related expenses incurred by agent in connection with employees, as well as agent's fees. No breakdown is given to substantiate these salaries and benefits." The situation has not changed. Not only does PCM have complete access to all money collected in

association dues, and income from any other sources, the mutuals do not have access to their own funds. All disbursements from these funds are made by PCM. Apparently, for at least approximately ten years, no director was signing checks for payments to creditors of the mutuals and GRF. Even the directors elected to the position of treasurer did not do so.

The paper also poses the question: "Does not article 3M give us the right to examine records, books and accounts? But we are denied access by PCM, especially to the payroll and benefits of agent and employees of PCM Agent that we pay for blindly. There is also in ARTICLE 4A II, the employee salaries and office expenses who are not exclusively employed in work at Leisure World but charged to us." Has this situation changed? If so, the information necessary to verify such change is not available to the directors nor to the members.

The 1999 position paper gives further detailed analysis of the management agreement with PCM and suggests measures to remedy the situation. Most of the objectionable clauses continue in the present management agreement, and will be the subject of comment in a later edition of "The Voice." The position paper terminates with the exhortation: "The time for change back to the protection and benefit of resident owners is NOW!!!!!!" What have the directors done to correct the situation? Most have simply allowed PCM to continue to operate in the same fashion and have refused to take action to retake control of our community. Let us elect directors who are more interested in the welfare of the members than they are in their titles and self-aggrandizement.