

Resident's Voice June 7, 2007

Conrad Grundke

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Tonight's Subjects:

- The "World Globe"
- CC&R's
 - GRF Board Meeting 6/5/7
- Credit Cards
- Expense Reimbursements

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The “World Globe”

- PCM/GRF Formed Broadband Corporation and sold Advertising using the “World Globe” trademark.
- RRLH (trademark owner) filed suit requesting 2% of profits.
- RRLH and PCM/GRF came to mutual agreement on solution.

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- HK&C and GRF failed to mention:
 - There was an alternative to removing the Globe.
 - Get written permission from RRLH if PCM/GRF agree to use trademark for non-commercial purposes only (display).
- GRF elected to dismantle, remove and destroy the Globe.
- The Globe was a part of the original Trust Agreement and valued at \$122,844 in 1964.
- Trust property cannot be disposed of without owner’s consent.
 - Also, resident donations were a large part of the \$71,000 spent to move the Globe to the gate 12 area.

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CONCLUSION:

- We cannot Trust PCM, GRF, or our Corporate Attorney.

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CC&R's

- PCM, GRF & Corporate Attorney have stated for the past 5 years that United and GRF have no CC&R's.
- **Stewart Title Company did research and certified that the CC&R's apply to GRF, United and Third.**
- PCM, GRF & Corporate Attorney state that United and GRF have no CC&R's.

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- There are no current plans to resolve issue.

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GRF Board Meeting 6/5/7

- GRF requested funding for a 3 Step Land Use **PROJECT**:
 - Step 1 will cost \$91,000 and will conclude with the use analysis.
 - Step 2 More money
 - Step 3 More money
- **When I asked if we would have a determination after Step 1 on the status of the CC&R's, there was not a, "Yes," or, "No" answer. Double talk by the General Manager about "Title Searches" and "parcels of land" were all that I got.**

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- If the status of CC&R's could have an impact on land sales,
 - Could we save \$91,000 by knowing this before beginning the project?
- When this question was posed to the Board & PCM, it was suggested by the General Manager that we should approve Step 1 (The Land Use Analysis) regardless.
- The GRF Board voted to allocate the money, \$244,000, for the Project.

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CONCLUSION:

- We cannot Trust PCM, GRF, or our Corporate Attorney.

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Credit Cards

- It took 4 years before credit card billing records were provided to Directors and Owners.
- During that time the General Manager stated several times that the credit cards were for “Emergency Use” only.
- Some samples of “*Emergency Use!*”

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Date	Desc	Day	Total
12/10/04	Sushi Wok Express	Fri	\$68.70
12/14/04	Gullivers	Tue	\$543.72
12/15/04	Cedar Creek Inn	Wed	\$280.70
	The Lobby Lounge	Wed	\$74.65
	The Loft	Wed	\$507.16
12/16/04	BJS Rest & Brew	Thu	\$31.10
12/17/04	Dana Warf Sportfishin	Fri	\$375.00
	The Lobby Lounge	Fri	\$111.51
	The Loft	Fri	\$356.01
12/20/04	BJS Rest & Brew	Mon	\$29.00
12/21/04	Beach House	Tue	\$171.00
12/22/04	Lawry's Five Crowns	Wed	\$834.31
	Macaroni Grill	Wed	\$29.28

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- Further examples of “Emergency Use!”

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Date	Desc	Day	Total
12/30/04	On The Border	Thu	\$27.31
01/04/05	Sushi Wok Express	Tue	\$112.93
01/05/05	Baja Fresh	Wed	\$26.78
01/06/05	CACM	Thu	\$315.00
	Claim Jumper	Thu	\$141.88
	On The Border	Thu	\$29.31
01/10/05	Players Sport Grill	Mon	\$37.78
01/11/05	Sushi Wok Express	Tue	\$87.89
01/12/05	On The Border	Wed	\$27.31
01/13/05	Casa De Pico	Thu	\$30.00
01/17/05	Sushi Wok Express	Mon	\$19.73
01/18/05	Sushi Wok Express	Tue	\$88.16
01/19/05	On The Border	Wed	\$28.31

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CONCLUSION:

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EXPENSE REIMBURSEMENTS

- With the legislative changes to the Davis Stirling Act, the Home Owners Associations are limited in what information they are NOT obligated to provide to the owners.
- **Residents received 2 years of Expense Reimbursement records and review of these records questions the legal and ethical use of these charges by PCM.**

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- Expenses are used as deductions in the IRS tax computations.
- **IRS defines legitimate expenses as those costs that have a direct benefit to the corporate owners.**
- They also compare expenses with those of like industries, in our case (Home Owner Associations).
- **With that in mind, do the following sound to you as legitimate expenses:**

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General Ledger

08/23/2006 12:42:49 General Ledger Report By: Account Code / Apply Date
 90-Golden Rain Foundation
 01/01/2006 Thru 07/31/2006, Detail, All Accounts, All Transactions
 * - Ending or Beginning Balances or Records that Include Unposted Transactions

Page 1

Beginning Account Code: _____-100-00 Ending Account Code: _____-100-00

Apply Date	Jrnl Code	Control Number	Description	Document/Voucher/Ref Code	Debit	Credit

	5010000	100-000000	MILEAGE AND MEAL ALLOW			\$0.00

04/27/2006	AP	J90720326	BAR170/BARBARA PAVIA- PETTY CASH/PETTY C		\$33.60	\$0.00
		90				
04/27/2006	AP	J90720326	CR Chris Trapp Mileage Reimbursement		\$40.05	\$0.00
		90				
04/28/2006	AP	J90720962	CR1130/CRIS TRAPP/EXPENSE REIMBURSEMENT		\$36.00	\$0.00
		90	EXP RPT 042806 V90139622			
04/30/2006	GJ	ALLOC000561	Allocate 100 to Mutuals		\$0.00	\$62.51
		90	100DIRMUTACT02 Source Acct			

Period:	<< Period 4/2006 >>				\$109.65	\$62.51

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# Emp	Wk Ctr	Wk Ctr Desc	Total
4	300	Financial Services Admin	\$241.51
13	310	Accounting	\$3,033.48
3	311	Warehouse	\$2,104.59
4	330	Budget & Financial Planning	\$2,554.82
14	360	MIS	\$840.13
5	370	Purchasing	\$2,718.16
43		Food Total	\$11,492.69

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Work Center 310 – Accounting (13 Employees.)

- The following slide is a listing of some of the charges associated with Food and Travel for Food.

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Date	Wk Ctr Desc	Description	Total
01/06/05	Purchasing	Nicole Review Lunch	\$46.00
02/03/05	Purchasing	Nicole BD lunch w June,Delorie,Debbie,James	\$152.00
02/16/05	Purchasing	Farr's review lunch	\$48.00
05/17/05	Purchasing	Raul,Jim,Leo,Delorie,Nicole,James	\$228.86
06/02/05	Purchasing	Debbies BD lunch w Gina,Nicole,James,Delorie	\$128.00
07/29/05	Purchasing	Debbie's review lunch	\$62.00
08/03/05	Purchasing	Gina's review lunch	\$58.00
08/22/05	Purchasing	Mtg lunch with Debbie	\$22.00
09/15/05	Purchasing	Delories BD Lunch w James, Debbie, Nicole	\$108.00
10/20/05	Purchasing	Zoehof Lunch	\$29.00
11/03/05	Purchasing	Gina BD Lunch w James,Debbie,Delorie,Nicole	\$130.00
11/08/05	Purchasing	Parking for Marriott Luncheon	\$4.00
12/14/05	Purchasing	Xmas Lunch w James,Nicole,Gina,Delorie	\$513.00
01/05/06	Purchasing	Nicole's Review Lunch	\$32.00
02/02/06	Purchasing	Nicole's BD Lunch w James,Delorie,Debbie,Gina	\$137.00
02/21/06	Purchasing	Delorie's Review Lunch	\$63.00
04/18/06	Purchasing	Gina's review lunch	\$53.00
06/13/06	Purchasing	Dinner w consultant - Towers Hair Salon	\$45.00
07/25/06	Purchasing	Debbie BD lunch w James,Gina,Nicole,Delorie	\$123.00
08/09/06	Purchasing	Debbie's review lunch	\$40.00
08/22/06	Purchasing	Janet's BD Valet Parking	\$6.00
09/07/06	Purchasing	Delorie BD Lunch w Debbie,James,Gina,Nicole	\$130.00
11/07/06	Purchasing	Gina BD Lunch w Delorie,Debie,Nicole,James	\$108.00
11/30/06	Purchasing	Xmas Lunch w debbie,Scott,Gina,Maggie,Delorie,Nicole,Raul,James	\$441.30
June 7, 2007		Resident's Voice	\$2,748.96

- The following is a subset of the charges on the prior page for Work Center 370.
- Reading these charges is indicative of the extravagant use of the Mutuals money for meals.

(BD = Birth Day)

Date	Description	Total
02/03/05	Nicole BD Lunch w June,Delorie,Debbie,James	\$152.00
05/17/05	Raul,Jim,Leo,Delorie,Nicole,James	\$228.86
06/02/05	Debbies BD Lunch w Gina,Nicole,James,Delorie	\$128.00
09/15/05	Delories BD Lunch w James, Debbie, Nicole	\$108.00
11/03/05	Gina BD Lunch w James,Debbie,Delorie,Nicole	\$130.00
12/14/05	Xmas Lunch w James,Nicole,Gina,Delorie	\$513.00
02/02/06	Nicole's BD Lunch James,Delorie,Debbie,Gina	\$137.00
07/25/06	Debbie BD Lunch w James,Gina,Nicole,Delorie	\$123.00
08/22/06	Janet's BD Lunch Valet Parking	\$6.00
09/07/06	Delorie BD Lunch w Debbie,James,Gina,Nicole	\$130.00
	Parking-Delorie BD Lunch w Debbie,James,Gina,Nicole	\$5.00
11/07/06	Gina BD Lunch w Delorie,Debie,Nicole,James	\$108.00
11/30/06	Xmas Lunch w debbie,Scott,Gina,Maggie,Delorie,Nicole,Raul,James	\$441.30
Grand Total		\$2,210.16

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CONCLUSION:

- We cannot Trust PCM, GRF, or our Corporate Attorney.

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DO YOU BELIEVE THAT WE HAVE A PROBLEM ?

- We can ignore the Legal vs. Illegal discussions, since that is a lower priority at this time. However,

- **Are the expenses justifiable and ethical?**

–NO!

- **Could these costs reflect how PCM approaches all of our business costs?**

–YES

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HOW DID WE GET INTO THIS MESS?

- **Lack of oversight by the Boards of Directors!**
 - Most Directors only know what PCM tells them.
- **Unwarranted Trust in PCM to do the “right” thing!**
 - Lack of knowledge forces Directors to rely too heavily on PCM.
- **A Corporate Attorney whose interests are too closely related to PCM.**
 - Attorney does not have a cohesive relationship with the Boards and will look toward PCM’s needs rather than the needs of our Mutuals.

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THE CRASH !

- We had an opportunity to remedy this with the 2007 Management Agreement.
- Our Boards took it upon themselves to write the agreement ignoring the advice of an independent attorney.
- We are now faced with potential consequences of PCM's actions that will impact our assessments.

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The End

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