

"FOLLOWING THE MONEY"

7/19/2007

On the Trail



Conrad Grundke

7/19/7

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THE MONEY TRAIL (CONT):

The Last Episode:

- ***We learned of PCM "abuses" using GRF,***
 - ***Credit Cards, and***
 - ***Expense Reimbursements.***

This Episode:

- ***GRF's promise to take action!***
- ***Management Agreements.***

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SOLVING THE PROBLEM?

- **Define authorized expenses:**
 - Mr. Johns asked GRF to direct him to have staff provide the authorized uses.
- **GRF action on subject:**
 - “Committee of the Whole” Meeting
 - GRF Board Mtg – July (promised a meeting)
 - “Committee of the Whole” – Cancelled
 - PCM Provided the current guidelines
 - GRF Board Mtg – August (promised discussion)

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Credit Cards

Expense Reimbursements

Bonus – Incentive Plans



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WHAT SHOULD WE EXPECT?

- Credit Cards
- Expense Reimbursement
- Birthday/holiday celebrations
- Travel
- Flowers/cards/gifts
- Membership dues for trade & Prof Assoc
- Books & Subscriptions
- Incentive Plans and Bonuses

• ***BUSINESS AS USUAL, OR,***

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PCM PAYS ALL EXPENSES

- Pros
 - PCM can justify their own expense payments.
- Cons
 - PCM will hide the expenses in the Management Agreement.
 - Boards do not have ability or desire to maintain minimum costs to the residents.
 - We would be dependent upon PCM.

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***WE RETURN TO THE MAJOR INGREDIENT
BETWEEN THE OWNERS & PCM?***

TRUST

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HOW DO WE GET IT?

Measure

&

Verify

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THE MANAGEMENT AGREEMENT

- **Provide a common agreement between PCM and Mutuals on the services that are expected and the cost for those services.**
- **Hire independent attorney to get us the best agreement we can get.**
- **An example of our success in process:**

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EFFECTIVENESS OF ATTORNEY

- **Attorney suggested:**
 - **Agent shall employ in its own name and at its own expenses a General Manager whose appointment shall be made by Agent on an annual basis and approved by Owner.**
- **United Board changed to:**
 - **PCM of CA, Inc., shall employ in its own name and at its own expense a General Manager whose appointment shall be made by Agent.**

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EFFECTIVENESS OF ATTORNEY

- **Third Board changed to:**
 - **Agent shall employ in its own name and at its own expense a General Manager whose appointment shall be made by Agent and approved by Mutual in writing.**

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EFFECTIVENESS OF ATTORNEY

- **Attorney suggested:**
 - **Agent represents and warrants to Owner that it has not received, and covenants that it will not receive, any contributions, gift, bribe, rebate, payoff, influence payment, kickback, or other payment from any person or entity regardless of form, whether in money, property, or services, (i) to obtain favorable treatment in securing business to perform services, (ii) to pay for favorable treatment business secured,**

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EFFECTIVENESS OF ATTORNEY

- (iii) to obtain special concessions or for special concessions already obtained, or (iv) to otherwise secure the right or ability to secure business, for or in respect of any service to be provided to or for the benefit of Owner or any Members, Qualifying Residents, Co-occupants or guests (as defined in the Bylaws).
- **United & Third Boards:**
 - (Did not address it)

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EFFECTIVENESS OF ATTORNEY

- **Attorney suggested:**
 - ()
- **Third Board changed to:**
 - Members of the Mutual will not perform the work of the Agent.

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EFFECTIVENESS OF ATTORNEY

- **Attorney suggested:**
 - Implementation of “Expense Reduction Program.”
- **Third Board implemented:**
 - Employee Incentive Plan.
- **United Board:**
 - (Didn’t address it)

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EFFECTIVENESS OF ATTORNEY

- **Attorney suggested:**
 - Under the personal and direct supervision of the General Manager, Agent’s employees shall render services and perform duties as MA as set forth in this Article 2.
- **Third Board implemented:**
 - Any and all expenses incurred by PCM, Inc. are for the benefit of LWV and are to be reimbursed by LWV Corp.
- **United Board implemented:**
 - Any and all expenses incurred by Agent under the Budget, hereinafter defined, or approved by Owner in writing are to be reimbursed by Owner.

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SO WHERE ARE WE ?

**We are left asking the
following questions !**

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Can we **AFFORD
a
“BIG BUSINESS” Agent
like
PCM ?**

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**Can we afford
“Directors” who
are **NOT** looking
out for **OUR** best
interest ?**

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YOU CAN HELP

- **Find residents to run for your Mutual Boards.**
- **Support those nominees with your time and effort.**
- **Keep involved in the Mutuals.**
- **Question your Boards of Directors.**

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The End

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