

## Arcadia 2016 AGM 17. May 2016

### Control Board Report of the year 2015-2016

#### 1. Transition from LotusM

At the AGM last year at 26. May 2015 the homeowners voted for a replacement of LotusM. Some arguments at the meeting was that LotusM did not deliver as expected compared to the service fee paid by the homeowners. LotusM made it very difficult for the Control Board to perform their duties as stated in the Turkish Condominium Law (TCL). It was almost impossible to get relevant legal documents and accounts updates from LotusM. They "explained" instead of providing the requested documentation.

The days after the transition from LotusM to SPM (Side Property Management) we (Control Board) started to get the surprises:

- The bank accounts did not belong to Arcadia as explained to us. Legally they belonged to LotusM and LotusM kept all money on the accounts with an unacceptable explanation.
- We expected that the staff belonged to Arcadia, but Lotus enforced our gardener to stay with Lotus. That was very unfair to us and we had to find a new gardener.
- The garden tools that had been used at Arcadia for years was taken back to Lotus, because they had secured their legally rights which we did not know.

From the signed account statement made after the transition we got quite another picture of the financial situation compared to what LotusM presented for us at Control Board meetings and at the AGM 2015. For the first time we got the details on their accounting:

- LotusM charged us 50.000 TL just for Property Management for one year. We asked several times before to get this figure specified into different services, but they mixed it all together as a "package" so we could not find out the details of the budget and therefore we could not follow up on the budget transactions.
- LotusM charged us a lot for garden work and the garden was in the most miserable state since Arcadia opened in 2006.
- LotusM charged us a lot (2.260 TL) for minor pool repairs in spring 2015, and the pool was in bad shape when LotusM finished their contract 30. June 2015.
- We discovered that LotusM overpriced some of repairs and purchases for Arcadia. This was not revealed last year (2014 - 2015) because LotusM did not provide the requested documentation (supplier receipts).
- LotusM claimed that we still owed them 3.750,44 TL in Management Fees to justify that our money on the accounts could not be transferred to the new budget year, so they kept the money that earlier told us belonged to Arcadia
- LotusM did not pay our staff in June 2015 and claimed that there was no money left on the account after they charged us 50.000 TL for Management fees.

- LotusM left us with 9 months of unpaid water bills of 5.963,35 TL explaining that there was no money left on the account.
- We had two homeowners that never paid their service fees and in March the Control Board demanded LotusM to start legal actions against those two cases. LotusM told us later that they legal actions had started. Recently we found out from our new solicitor that those legal actions had never been one despite reported so and legal actions was paid with 344,71 TL.

**Conclusion:** Because of the transition from LotusM to SPM some legal documents had to be stamped at Notary and those papers gave us the real truth about our legal and financial situation that had been hidden from the Control Board despite many requests to see the underlying documentation.

## 2. Status early July 2015

Arcadia Control Board and our new Property Manager SPM took over an Arcadia Complex in bad state, both physically and financially:

- The garden was in the worst state ever
- The pool was in very bad shape and needed a major repair
- Out Internet did not work well and there was no WiFi support for smart phones and tablets like iPads
- We had to find a new gardener and to negotiate new employment agreements
- We had to buy new garden tools despite we had paid for gardening since 2006
- We had no bank accounts and no cash money because our former bank accounts belonged to LotusM despite we were told the opposite.
- We started with debts of 11.748,10 TL from last budget year despite we had paid our monthly service fees of 330 TL to LotusM.
- We took over 2 non-payers (D2 ex-owner and D5) without any possibility to get the 5.963,35 TL back - so we consider those money to be lost forever.
- Shortly after we needed an emergency cable repair of 4.890 TL because some former concrete repairs had damaged the main electricity cable outside block C.

**Conclusion:** From the transformation process we got the real picture of our situation as Arcadia homeowners. It was a major surprise to the Control Board members.

## 3. Summer 2015 initiatives

In the first three months (July - September 2015) our new property manager, SPM started to restore the state of Arcadia Complex:

- Legal transition papers was made
- Bank accounts in Arcadia's name was opened
- New gardener was employed to Arcadia
- Garden tools were purchased so our staff could do the gardening
- The garden was restored to normal status
- WiFi was installed

- Damaged electric cable outside block C was replaced
- New accounting system had to be established.

Conclusion: Actually this was a good start and we were optimistic about the future. The unplanned investments drained our financial liquidity.

#### **4. Autumn 2015 - Problem arises**

Most focus last summer was on practical tasks and unfortunately we did not get a proper accounting system in place from start. In the beginning of the fiscal year there were homeowners that paid their fees for the whole year, so the opening liquidity status was good, but in autumn 2015 the financial situation was worsening due to two major neglects:

1. Several homeowners did not pay their fees in due time and that drained our accounts
2. We did not collect the agreed reserve fee (60 TL/month) and that was a big mistake based upon to much optimism and not on realities.

In addition our Property Manager got very sick and went to several hospitals. He is now all right again.

Things went out of control. Staff and suppliers was not paid on time and the Control Board was not informed. And the accounting system was not working so the Control Board could not see the actual figures about the financial situation.

**Conclusion:** The autumn 2015 was a terrible time when things went out of control due to several risks hitting us at the same time.

#### **5. Winter 2016 - The Control Board went into action**

We in the Control Board became aware of the situation and started a series of actions to restore control:

- Fritz (B6) went on site for two weeks to help our Property Manager to restore control. He was assisted very much by John from D1
- We took direct contact to complaining suppliers to calm them down
- Our Property Manager had completed his surgeries at hospital and became more healthy again
- One of the homeowners (B4) created a website for Arcadia to improve information between the management and the homeowners and between homeowners. Transparency was the key objective. When homeowners are correct and well informed they can make qualified decisions
- Three homeowners paid voluntarily 17.000 TL into Arcadia as a loan so staff could be paid on time
- Ian (C2) used his connections to calm down the situation
- Gerard (D6) started to get accounts under control
- All in the Control Board tried to get homeowners pay their fees in due time
- Two homeowners (D2 ex-owner and D5) refused to pay and were sent to solicitor for legal actions. We have some hope to get some money back since those two persons are now registered in the Attachment Court
- A recovery plan was put together by the Property Manager and the Control Board.

**Conclusion:** The Control Board took over as expected and got things under control. Now everything is brought into a more firm structure and the financial situation is improving. But we still have major financial problems because several homeowners are not paying their fees in due time and we do not have a reserve to cover up for that situation.

## 6. Spring 2016 - Normal state again

Major activities was done in early spring to prepare Arcadia for the season coming up:

- The pool went through a major repair after long time neglect
- The garden restored to a level of quality level expected
- Our Property Manager has regained his health and is now performing as expected
- Arcadia internet site was constantly updated with information to homeowners
- Staff was taken care of and paid timely
- Accounting system was improved to get better financial overview
- Lot of efforts was taken to get homeowners paying their fees in due time to restore our financial liquidity
- Preparations was made for the AGM 2016. This is documented on the website.

<http://www.arcadiaside.dk/arcadia/agm-2016-documents/>

**Conclusion:** This period the Control Board and the Property Manager carried out the recovery plan laid out in February 2016 and we think that Arcadia again is a nice place for us homeowners to stay and enjoy our vacations.

## Conclusion on the whole year 2015 - 2016

The first many years Arcadia was managed as a hotel where we homeowner paid our fees and expected the "hotel management" (Mecitoglu and LotusM) to solve all problems coming up. The major change in that operation mode was announced in spring 2014 where Mecitoglu informed us about the new structure where Turkish Condominium Law would set the policy about our future government structure.

This transition has been difficult for us. We had to form a group of homeowners across many different nationalities with different cultural habits. We needed support from LotusM the first year of the transition (2014-2015) to learn how to run a complex according to Turkish law. Today we are in good shape with help from our current Property Manager and supported by the TCL law no. 634.

Now we have learned how to run the Arcadia complex according to law. We have also learned to take financial responsibilities and we have established a government structure that works for us.

But we still have major problems to make all homeowners understand that we cannot pay our staff and suppliers if the agreed service fee is not paid in timely.

Best Regards

The Arcadia Control Board