

ROBERT E. FRANK

Director, Sun City Anthem Community Association, Inc.
2450 Hampton Road, Henderson, NV 89052
July 23, 2008

DELIVERED BY HAND & By CERTIFIED US MAIL/RRR

SCA CAI Board of Directors

Attn: President Roz Berman, Vice President Carl Weinstein, Treasurer Shirley Cheri,
Secretary Roger Cooper, Director Barry Friedman, and Director Mike Dixon.
2450 Hampton Road, Henderson, NV 89052

Ms. Berman and Other Board Members:

Ref. my letter of June 22, 2008 and your reply of June 25, 2008. (Attached)

I hereby confirm my request for the SCA Board to approve reimbursement of \$28,782.20 in legal services by Mr. Bob Maddox required for partially defending myself as a respondent to SCA Board actions initiated on August 6, 2007.

In response to your November 19, 2007 letter and your June 25, 2008 letter (both attached) I hereby provide additional details on why the Board is legally required to immediately reimburse me for this expense. The following sentences numbered 1 thru 5 are either quoted from your November 19, 2007 letter, or provided in response to your June 25th letter. My responses to you follow each quoted item.

1. "After review and deliberation, the Board finds that the Sun City Anthem Community Association is not responsible to indemnify you or pay for your defense costs because the action initiated against you is not by reason of you having been an officer, director or committee member or for actions undertaken in your role as a member of the Board."

- This statement is **not true**. The SCA Board of Directors made me a legal "respondent" by initiating the following actions:
 - Certified/RRR Board letter signed by Board President Mike Dixon and Board Secretary Lanie Berg on August 6, 2007. (Attached)
 - Board statements made and actions taken during the public Board Meeting on August 23, 2007. (Attached)
 - Board President Dixon's sworn affidavit filed with the State of Nevada on September 7, 2007. (Attached without the exhibits)
 - Correspondence received from the Nevada Real Estate Division between September 25 and October 18, 2007 that included SCA Board President Dixon and SCA Community Manager DaSilva. (Attached)

- During your deliberations on this matter, please carefully review the time line and contents of the attached documents. Board President Dixon and Board Secretary Berg sent the initial certified/RRR allegations on **August 6**. That was immediately followed by sanctions to remove me (without following SCA due

process rules) from being Board Vice President on **August 23**. That action was immediately followed on **September 7** by Board President Dixon's affidavit containing 18 allegations of failure to comply with statutes. All of these aggressive actions made serious allegations about my board activities. Nothing was concerned about non-board activities. The Board made me into a "respondent" as defined by statutes and SCA By-Laws. The Board can not refuse to comply without incurring SCA litigation liabilities, and possible personal consequences.

Ref: NAC82.541.1 stating: "**1. A corporation governed by this chapter may indemnify any person against expenses as provided in NRS 78.751**".

Ref: SCA By-Laws 3.4(f) implementing **NAC82.541.1** stating "***If a member of the Board of Directors is named as a respondent or sued for liability for actions undertaken in his role as a member of the board, the Association shall indemnify him for his losses or claims and undertake all costs of defense, unless it is proven that he acted with willful or wanton misfeasance or with gross negligence.***"

- While some board members have claimed to have NO knowledge of the affidavit allegations and/or their merit, it should be clear from the attached records that if the Board persists in trying to hold to such a seemingly indefensible position, your actions may be used to discredit Mr. Dixon's sworn affidavit and the subsequent actions by the NRED. Such behavior may be judged as violating **NRS 16.31183**: "***Retaliatory action prohibited.***"

2. "The complaint, in our view, refers to independent actions taken by you not related to your normal, expected, requested or authorized activities and responsibilities as a member of the Board."

- This statement is shown to be untrue by the attached records. While the Board claims to not know what the affidavit alleges, the NRED records show that copies were provided to the board and to the CAM. Moreover, the Board could not disavow Dixon's allegations without disavowing your own actions starting on August 6, 2007 and August 23, 2007.
- But, since it may be proven in the future that you DID know the details of the allegations, and that you may have subsequently rejected the validity of the claims filed by Mike Dixon and John Leach, then you may be found to be a party to a fraud against the State of Nevada. Allowing Board President Mike Dixon to file a false affidavit and waste months of public resources may be a crime.
- In summary, if you believe the affidavit falsely claims to represent the Board, and if you believe the affidavit falsely claims I have committed 18 statute violations while serving in my duties on the SCA Board; then, you are obligated to require Mr. Dixon and the Nevada Real Estate Division to dismiss the affidavit--with prejudice. But, regardless of anything else, it is clear that the SCA Board caused me to become a respondent, and you can not legally deny my reimbursement request.

3. "It is regrettable that you refused to respond to Mr. Dixon's initial letter or to participate in the mediation requested by the Ombudsman."

- This is another invalid claim. The "initial letter" on August 6 was from the SCA Board--after consulting counsel. My response on August 14 was after consulting with counsel, and it was submitted in a timely fashion. (Attached) Although the Board claimed in November to have no access to the affidavit facts or actions taken by the Ombudsman Office, the attached documents prove the Board did have access to affidavit information. The documents also show that I was not provided with a fair and reasonable opportunity for mediation.

4. "The Board believes that the above decision in this matter is in conformance with Nevada law and the governing documents of the Sun City Anthem Community Association."

- Unfortunately, the Board has been shown through this letter and the attached records to have repeatedly violated statutes and SCA By-Laws. Attempting to continue to deny responsibility to indemnify me for this valid expense will generate expensive litigation and penalties for the Association.
- If the Board has any remaining doubts about its legal obligations for reimbursement of my legal defense expenses, you should quickly consult Mr. Leach. Each additional month that passes incurs penalties for late payment.

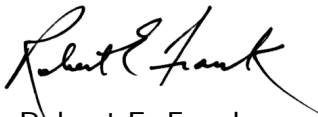
5. The following comments will respond to your June 25, 2008 inquiries about the duties, timing and responsibilities of Mr. Maddox and Mr. Garin.

- Mr. Bob Maddox was asked to begin his work shortly after I became a "respondent" in early August 2007. But, he did not start billable work until October 7, 2007. That was well after September 25th when NRED began its formal actions.
- A review of Mr. Maddox's invoices shows his level of effort was quite modest when compared to the massive demands contained in the board's 110 pages of unsubstantiated allegations and the many important communications from the Board and NRED staff members.
- Meanwhile, since I was not experienced in being a respondent in Nevada, and since Mr. John Leach had previously made it clear he represented the Board against me in this matter, it was Bob Maddox who advised me how to request D&O support services from our SCA Wells Fargo Insurance broker.
- However, the D&O insurance support was not approved quickly. Due to delays caused by the Board and Wells Fargo Insurance Services, CNA did not get around to appointing Mr. Garin as my lead attorney until December—over 4 months after the matter was initiated. During that August through early December time, my only counsel was Mr. Maddox, and his expenses are solely the responsibility of SCA CAI--as provided by our by-laws.

- When Mr. Joe Garin notified NRED that he was assuming the lead attorney role, he also advised NRED that Bob Maddox would be assisting him. Mr. Garin is a highly experienced defense attorney, but he confirmed that this case was a complex matter involving many alleged violations of NRS 116 and NAC 116 elements. And, for that he would need Bob Maddox's specialized expertise to serve as co-counsel to help complete the extremely detailed responses required by NRED by the end of the Christmas vacation period.
- Since December, Joe Garin and Bob Maddox have been working as a team and I am certain the Board has been fully aware of that fact through the variety of correspondence that has been exchanged.
- Finally, there is nothing found in the statutes or the SCA governing rules and regulations that limits a Director to a D&O-appointed counsel when becoming a respondent or a defendant. This is particularly important since this case was initiated by the Board majority against a single board member. Accordingly, the by-laws-provided indemnification expenses will need to continue as long as the Board pursues its current agenda.

From the above information and attached records, it is clear the Board is obligated to reimburse me for the billings from Mr. Bob Maddox and to continue to do so until this matter is concluded. Please approve my requested reimbursement for **\$28,782.20** at the July 25, 2008 Board Meeting.

Sincerely,



Robert E. Frank
SCA CAI Director

6 Enclosures:

1. Board Letter of August 6, 2007 and my response of August 14, 2007
2. Transcript of SCA Board Meeting to Sanction VP on August 23, 2007
3. Board President's Intervention Affidavit dated September 7, 2007
4. NRED correspondence between September 25 and October 19, 2007 and my responses to NRED dated January 4, 2008 and April 2, 2008
5. My letter of October 30, 2007 to the Board, and your reply of November 19, 2007
6. My letter to the Board dated June 22, 2008, and your reply dated June 25, 2008