

FILED

MAY 24 2016

NEVADA COMMISSION OF  
COMMON INTEREST COMMUNITIES  
AND CONDOMINIUM HOTELS

BEFORE THE COMMISSION FOR  
COMMON INTEREST COMMUNITIES  
AND CONDOMINIUM HOTELS  
STATE OF NEVADA

JOSEPH (J.D.) DECKER, ADMINISTRATOR,  
REAL ESTATE DIVISION, DEPARTMENT OF  
BUSINESS & INDUSTRY, STATE OF  
NEVADA,

Petitioner,

V.

LAUREL CANYON HOMEOWNERS  
ASSOCIATION; JAMES SCHUMANN, and  
ROBERT VALENTINE,

Respondents.

CASE NOS. 2015-1360; 2015-1361;  
2015-1363

ANSWER TO COMPLAINT FOR  
DISCIPLINARY ACTION

TO THE COMMISSION FOR COMMON INTEREST COMMUNITIES AND  
CONDOMINIUM HOTELS:

Respondent, Laurel Canyon Homeowners Association, hereby submits its Answer to the  
Complaint for Disciplinary Action which had been filed on or about December 17, 2015 as follows:

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GIBBS GIDEN LOCHER TURNER SENET & WITTBRODT LLP

## INTRODUCTION

1  
2       Laurel Canyon Homeowners Association ("Respondent") is a Nevada non-profit corporation  
3 which is comprised of the real property which is situated within the Laurel Canyon community.  
4 Respondent's members are owners of residences within Laurel Canyon. Respondent has reviewed  
5 the various allegations contained in the Complaint and agrees that, as to Respondents James  
6 Schumann and Robert Valentine, they appear to be accurate.

7  
8       Respondent is informed and believes, and based and alleges, that during the time period in  
9 question, Respondents Schumann and Valentine were in control of the Association's affairs and may  
10 have participated in the conduct which is described in the Complaint. Among other things,  
11 Respondents James Schumann and Robert Valentine acted as if they were officers and directors of  
12 Laurel Canyon, even prior to the date that they actually assumed such positions. Answering  
13 Respondent also alleges that the election by which Respondents James Schumann and Robert  
14 Valentine were seated on the Board was improper in that, among other things, Board member Dov  
15 Erlichman was not notified that the election took place. Similarly, Board member Dov Erlichman  
16 was unaware of meetings which took place between Schumann and Valentine at which time those  
17 Respondents determined to employ P.W. James Management & Consulting LLC as its new  
18 community manager despite the fact that this entity did not possess a community manager license or  
19 permit. Essentially, Respondents Schumann and Valentine falsely and fraudulently assumed control  
20 of the Association without the consent of any other Board member or the knowledge of the  
21 Association's members. As noted in paragraph 27 of the Complaint, an "election" was held in  
22 January 2014. Respondent Association challenged the validity of such election in Court based upon  
23 alleged misconduct of the prior community manager and Respondents Schumann and Valentine.

24       Answering Respondent also agrees that the "Special Meeting" of the owners which was  
25 called by Respondents Schumann and Valentine may have been improper in that the meeting petition  
26 had not been signed by 10 percent of the owners as mandated by NRS 116.3018. Answering  
27 Respondent did not authorize such special meeting or the election of the employment of P.W. James.  
28 As stated in paragraph 33 of the Complaint, neither the then current manager or the Board was

1 notified of the petition or of the special meeting.

2 Answering Respondent also agrees that it appears that Respondents Schumann and Valentine  
3 improperly held a meeting on less than 15 days' notice in violation of NRS 116.3018 and held  
4 meetings and conducted Association business without notice to all Board members including Dov  
5 Erlichman.

6  
7 Answering Respondent further stipulated that Respondents Schumann and Valentine violated  
8 NRS 116.3018(11)(f) by taking possession of the ballots as candidates in the election prior to the  
9 ballots being opened and counted at a meeting as alleged in paragraph 44 of the Complaint.

10 Answering Respondent agrees that Respondents Schumann and Valentine violated NRS  
11 116.3103 (through NAC 116.405(1)) by acting outside the scope of the authority granted to them by  
12 the governing documents by calling a special meeting of the owners contrary to the requirements of  
13 NRS 116.3108 and by taking action on behalf of the Association when they were not properly  
14 elected.

15  
16 Answering Respondent Association agrees that Respondents Schumann and Valentine  
17 violated NRS 116.3103 (through NAC 116.405(2)) by acting for reasons of self-interest, gain,  
18 prejudice or revenge by deliberately failing to provide notice to Board member Dov Erlichman of  
19 meetings and decisions of the Board as alleged in paragraph 47 of the Complaint.

20 Answering Respondent Association agrees that Respondents Schumann and Valentine  
21 violated NRS 116.3103 (through NAC 116.405(3)) by committing acts and/or omissions which  
22 amount to incompetence, negligence or gross negligence by failing to properly register with the  
23 Division, by taking action on behalf of the Association, and by excluding the third Board member  
24 from decision making as alleged in paragraph 48 of the Complaint.

25  
26 Answering Respondent Association is informed and believes, and based and alleges, that  
27 Respondents Schumann and Valentine violated NRS 116.3103 (through NAC 116.405(5)(8)) by  
28 impeding, or otherwise interfering with, an investigation by the Division by failing to comply with

1 multiple requests from the Division to provide information and documents as alleged in paragraph  
2 49 of the Complaint.

3  
4 Answering Respondent Association is informed and believes, and based and alleges, that  
5 Respondents Schumann and Valentine violated NRS 116.3103 (through NAC 116.405(5)(c)) by  
6 impeding or otherwise interfering with an investigation by the Division by concealing facts and  
7 documents related to the business of the Association as alleged in paragraph 50 of the Complaint.

8  
9 Answering Respondent Association is informed and believes, and based and alleges, that  
10 Respondents Schumann and Valentine violated NRS 116-3103 (through NAC 116.405(7)) by failing  
11 to cooperate with the Division to resolve complaints filed with the Division as alleged in paragraph  
12 51 of the Complaint.

13  
14 Answering Respondent Association is informed and believes, and based and alleges, that  
15 Respondents Schumann and Valentine violated NRS 116-3103 (through NAC 116-405(8)(1)) by  
16 failing to cause the Association to cooperate with the Division to resolve complaints filed with the  
17 Division as alleged in paragraph 52 of the Complaint.

18  
19 Based upon the foregoing, Answering Respondent Association is an innocent victim of the  
20 intentional and willful acts of Respondents Schumann and Valentine. Accordingly, it is respectfully  
21 requested that the Commission find no liability against Answering Respondent Association but  
22 rather that it determine Respondents Schumann and Valentine had knowingly and willfully  
23 committed violations of NRS and/or NAC 116. Respondent Association believes that it would be in  
24 the best interest of the Association that Respondents Schumann and Valentine be removed from their  
25 positions as directors and/or officers of the Association and permanently prohibited from serving in  
26 such capacity. Respondent Association also believes that Respondents Schumann and Valentine  
27 should be required to personally incur the cost of an audit of the Association and to pay all costs of

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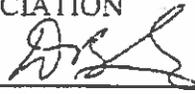
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the proceedings incurred by the Division including the cost of the investigation and reasonable attorneys fees.

Dated this 16 day of May, 2016

LAUREL CANYON HOMEOWNERS ASSOCIATION

By:   
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Dov Erlichman  
Director