

FILED

AUG 30 2024

NEVADA COMMISSION FOR
COMMON INTEREST COMMUNITIES
AND CONDOMINIUM HOTELS

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1 **Maddox, Segerblom and Canepa, LLP**
 2 Eva G. Segerblom, Esq. NV Bar 10749
 3 Ardea G. Canepa-Rotoli, Esq. NV Bar 12345
 4 10403 Double R Blvd
 5 Reno, Nevada 89521
 6 Telephone: 775-322-3666
 7 Facsimile: 775-322-6338
 8 **Attorneys for Centertowne Subdivision Association**

9 **BEFORE THE COMMISSION FOR COMMON-INTEREST COMMUNITIES**
 10 **AND CONDOMINIUM HOTELS**
 11 **STATE OF NEVADA**

12 SHARATH CHANDRA, ADMINISTRATOR,)
 13 REAL ESTATE DIVISION, DEPARTMENT OF)
 14 BUSINESS AND INDUSTRY, STATE OF)
 15 NEVADA,)

CASE NO.: 2024-183

Petitioner,

**ANSWER TO COMPLAINT
FOR DISCIPLINARY
ACTION**

vs.

16 CENTERTOWNE SUBDIVISION)
 17 ASSOCIATION)
 18 (Entity Number C4164-1978),)

Respondent.

19 The Respondent, Centertowne Subdivision Association (hereinafter "Association"
 20 or "Respondent"), hereby submits this answer to the Real Estate Division, the Department
 21 of Business and Industry, State of Nevada (hereinafter "Division") Complaint for
 22 disciplinary action and notice of hearing:

JURISDICTION AND NOTICE

23 Respondent acknowledges that the Division and the Commission for Common-
 24 Interest Communities and Condominium Hotels has jurisdiction over both the Association
 25 and the subject matter at issue herein.

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1 FACTUAL ALLEGATIONS

2 Respondent generally admits the factual allegations set forth in paragraphs 1
3 through 23 of the Complaint although the Board was at all times managed by a
4 professional management company who guided the Board, and further submits that there
5 was not a breach of fiduciary duties by any Board Member nor should there be any
6 personal liability for any Board Member.

7 VIOLATIONS OF LAW

8 The Board acknowledges technical violations of NRS 116.31034(1) for operating
9 without the statutorily required three board members but submits that there was not a
10 breach of fiduciary duties by any Board Member nor should there be any personal liability
11 for any Board Member. Indeed, the Board repeatedly attempted to solicit its membership
12 for candidates. *See Exhibit 1.*

13 The Board acknowledges technical violations of NRS 116.31031(9)(a) that Board
14 President Billman may have participated in Association matters or hearings relating to his
15 delinquencies in paying assessments but submits that there was not a breach of fiduciary
16 duties by any Board Member nor should there be any personal liability for any Board
17 Member.

18 The Board acknowledges technical violations of NAC 116.405(5) for failing to
19 provide the Division with proof that the assessments in 2021 and 2022 were actually paid
20 by Board President Billman but submits that there was not a breach of fiduciary duties by
21 any Board Member nor should there be any personal liability for any Board Member.
22 Proof of payments of assessments during this time period are attached hereto as **Exhibit**
23 **2.**

24 The Board acknowledges technical violations of NRS 116.31153 for failing to
25 demonstrate two approved signers on its checks but submits that there was not a breach
26 of fiduciary duties by any Board Member nor should there be any personal liability for any
27 Board Member.
28

1 The Board acknowledges technical violations of NRS 116.3103 and NRS
2 116.31151(1)(a) by regarding the Association's missing or omitted documents and records
3 and record keeping, generally, but submits that there was not a breach of fiduciary duties
4 by any Board Member nor should there be any personal liability for any Board Member.
5 These records were supposed to be maintained by the Association's professional
6 management company that has since ceased operations.

7 The Board acknowledges technical violations of NRS 116.31083(9)(c), NRS
8 116.31083(11), and NRS 116.3108(8) for failing to produce any or all meeting minutes
9 and/or summaries of meetings in years 2021, 2022, and/or 2023 but submits that there
10 was not a breach of fiduciary duties by any Board Member nor should there be any
11 personal liability for any Board Member. These records were supposed to be maintained
12 by the Association's professional management company that has since ceased operations
13 but what was forwarded to the Association by its management company is attached hereto
14 as **Exhibit 3**.

15 The Board acknowledges technical violations of NRS 116.3115 by failing to
16 adequately fund its Reserves and maintain its budget in accordance with the Reserve Study
17 although the Board did hold a vote to increase assessments to adequately fund the reserve,
18 which the members of the Association voted against. *See Exhibit 4*. The Association
19 submits that there was not a breach of fiduciary duties by any Board Member nor should
20 there be any personal liability for any Board Member regarding this technical violation.

21 The Board acknowledges that technical violations of NAC 116.405(8), specifically
22 subsections:

- 23 a. NAC 116.405(8)(e) for failing to consult with the appropriate
24 professionals as suggested by the 2023 Reserve Study Update to
25 address the Operating account obligations to the Reserve Account
26 (\$54,629.61);
- 27 b. NAC 116.405(8)(g) for failing to maintain current, accurate, and
28 properly documented financial records; and

1 c. NAC 116.405(8)(j) for failing to prepare financials, including but not
2 limited to missing interim financials and bank statements for April
3 and October 2021, and August and September 2023.

4 but submits that there was not a breach of fiduciary duties by any Board Member nor
5 should there be any personal liability for any Board Member. These records were supposed
6 to be maintained by the Association's professional management company that has since
7 ceased operations but what was forwarded to the Association by its management company
8 is attached hereto as **Exhibit 5**.

9 The Board acknowledges technical violations of NAC 116.415 by failing to have
10 proper record keeping and regularly transferring reserves but submits that there was not
11 a breach of fiduciary duties by any Board Member nor should there be any personal
12 liability for any Board Member. These records were supposed to be maintained by the
13 Association's professional management company that has since ceased operations.

14 The Board acknowledges technical violations of NAC 116.425 for failing to prove
15 the Board verified the accuracy of the information contained within the Reserve Study but
16 submits that there was not a breach of fiduciary duties by any Board Member nor should
17 there be any personal liability for any Board Member.

18 The Board acknowledges that technical violations of NRS 116.3113 for failing to
19 obtain all insurance coverages as required by law but submits that there was not a breach
20 of fiduciary duties by any Board Member nor should there be any personal liability for any
21 Board Member. The Board attempted to direct its management to secure proper insurance
22 coverage as required by law. *See Exhibit 6*.

23 The Board acknowledges technical violations NRS 116.31144 for failing to provide
24 proof of performance of its annual audits for the years 2020, 2021, and/or 2022 but
25 submits that there was not a breach of fiduciary duties by any Board Member nor should
26 there be any personal liability for any Board Member. These records were supposed to be
27 maintained by the Association's professional management company that has since ceased
28

1 operations but what was forwarded to the Association by its management company is
2 attached hereto as **Exhibit 7**.

3 **PROPOSED RESOLUTION/SETTLEMENT**

4 The Association has taken the following actions since its audit earlier this year and
5 will continue to diligently comply with NRS Chapter 116 and NAC Chapter 116:

- 6 1. The Association engaged a new management company, Anchor
7 Management, LLC.
- 8 2. There are currently three (3) Board Members for the Association.
- 9 3. The Board has consulted with management and its new general counsel
10 regarding the election process going forward for the Board of Directors.
- 11 4. Each homeowner/member of the Association now has access to the online
12 portal to verify document retention.
- 13 5. Documents are being maintained by current management and the Board has
14 access to verify such record keeping.
- 15 6. Carson Valley Accounting has been engaged to complete the financial
16 reviews going forward.
- 17 7. Compliance inspections are being conducted by the new management
18 company.
- 19 8. The Reserve Study was updated and the Board met with the Reserve
20 Specialist for clarification and adherence to the law going forward.
- 21 9. The Association has ensured it is now covered by all required insurance
22 under the law, which was obtained through a new insurance agent.
- 23 10. Steps have been taken to reduce operating expenses appropriately to assist
24 in funding Reserves.
- 25 11. The 2025 Budget will include the required Reserve contributions to increase
26 the level of funding as identified in the audit.

27 The Association is also open to discussing additional items that should be added to this
28 plan in order to fully and completely resolve this matter with the Division.

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CONCLUSION

Respondent generally acknowledges technical violations of NRS Chapter 116 and NAC Chapter 116 as iterated above but submits that there was not a breach of fiduciary duties by any Board Member nor should there be any personal liability for any Board Member. The Board looks forward to resolution of this matter with the Division via its proposed plan and working with its new management to enact this plan.

Dated: August 30, 2024.

MADDOX, SEGERBLOM AND CANEPA, LLP

By: 

Eva G. Segerblom, Esq. NV Bar 10749
Ardea G. Canepa-Rotoli, Esq. NV Bar 12345
10403 Double R Blvd
Reno, Nevada 89521
Attorneys for Centertowne Subdivision Association

INDEX OF EXHIBITS


Exhibit Number	Description	Number of Pages
1	Email correspondence regarding repeated attempts to solicit the Association's membership for candidates	5
2	Proof of payments of assessments by Board President Billman	13
3	Email correspondence regarding Ms. Shaw receiving her first Board Packet for January 2022. In addition, the Approved & Ratified 2021 Budget, Board of Directors Meeting Agenda for: 1/25/22, 9/6/22, 12/16/22, 3/7/22, 3/14/22, 6/6/23, Board of Directors Meeting (Revised) Agenda for 8/2/23. Lastly, the Executive Session Meeting Agendas for: 12/16/22, 3/14/23, 6/6/23, 8/2/23.	21
4	Email correspondence regarding the vote to increase assessments	3
5	Financial Statements for the Association for December 2021, December 2022, July and August 2023. In addition, email correspondence with Better Reserve Consultants, LLC regarding the Reserve Study Update	185
6	Common Policy Declarations for the general liability insurance for the policy period of 8/19/21-8/19/22. In addition, general liability insurance proposal from Michael Miller	44
7	Engagement letters from Jackson & Jackson CPAs, LTD regarding preparing the tax returns for 2021 and 2022. In addition, the 2020 and 2021 Tax Returns for the Association.	11

1 **CERTIFICATE OF SERVICE**

2 Pursuant to NRCP 5(b), I hereby certify that I am an employee of the law firm of
3 MADDOX, SEGERBLOM & CANEPA, LLP and that on this date I served a true and correct
4 copy of the herein document by () E Filing Notification by () fax transmission with
5 confirmation of receipt; (X) email transmission; or (X) depositing addressed sealed
6 envelopes with U.S. first-class postage, in the U.S. Mail at Reno, Nevada, addressed and
7 as follows:

8 COMMON-INTEREST COMMUNITIES 9 AND CONDOMINIUM HOTELS 10 Attn: Commission Coordinator 11 3300 W. Sahara Avenue, Ste. 350 12 Las Vegas, Nevada 89102 13 mgallo@red.nv.gov	14 Christal P. Keegan, Esq. 15 Deputy Attorney General 16 5420 Kietzke Lane, Ste. 202 17 Reno, Nevada 89511 18 ckeegan@ag.nv.gov
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19 Dated: August 30, 2024.

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22 An employee of
23 Maddox, Segerblom and Canepa, LLP
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