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January 24, 2013

Certified Mail
Return Receipt Requested

Mr. James R. Hinton
Statutory Agent
Recreation Centers of Sun City, Inc.
201 N. Central Avenue, Suite 3300
Phoenix, AZ 85004

RE: Continuing non-compliance with state statutes
RCSC Articles, By-Laws and Facilities Agreements

Dear Jim:

Despite our extended game of "voice mail tag," I am surprised I have not received a written response to my August letter. Unfortunately, in the intervening period, the Sun City Formula Registry have informed me that the violations of State law and RCSC's own by-laws have persisted, with no attempt on the part of RCSC's Board or management to rectify those violations. I am concerned that this situation leaves us no choice but to file a lawsuit shortly. To reiterate, the problems that continue have to do with the impermissible increase in the number necessary to attain a quorum, RCSC's violation of the Open Meeting law requirements and RCSC's expenditures, without a membership vote, above its \$750,000 threshold. I discuss those continued violations in greater detail below.

As I mentioned in my August letter, RCSC impermissibly increased the number necessary to constitute a quorum from 100 members to a "super" quorum of 1,250 members. I have now learned that in contravention on RCSC's own bylaws, in its October meeting, the Board declared that a "quorum" was not present, conducted company business and made a number of final, binding decisions on community and financial issues without input from the membership. As you know, Article III, Section 4 of the RCSC Bylaws provides: "**A quorum shall be presumed in the absence of a challenge.**" I understand that although a legal quorum present of more than 100 members was present at the October meeting and despite no challenge, President Vance Coleman ignored the presumption and declared there was no quorum for the Membership meeting. The meeting was thereafter quickly adjourned.

In the absence of a quorum, the Board took action on a number of motions that are designed to further limit public participation. Specifically, one of which was a motion to discontinue one of the two monthly "Director-Member Exchange" meetings. Failure to take a membership vote on this motion despite the quorum present was of particular concern because the Board knew it faced opposition from the Membership for this move to limit Member input and communication. [See Enclosure #1]. Because of the adjournment, the Board would not consider a motion to table the vote brought by Member Noel Kasper or consider a letter submitted by my clients requesting a petition that would require bringing the issue to a

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membership ballot vote in accordance with Board Policy #5. [See Enclosure #2]. This action was contrary to State law and RCSC's own bylaws. Further, the petition request was subsequently denied by a letter from President Vance Coleman on October 1, 2012, which is also an abuse of the Board's discretion. [See Enclosure #3]. I understand that the Board has since approved this change to remove the quarterly membership meetings at its October 25, 2012 board meeting without further input from its members. This is extremely troubling.

I also understand that the Board approved a number of multi-million dollar projects at the October 25th board meeting without a vote of the Membership. This approval disregards Article X of RCSC's Articles of Incorporation, which require a membership vote for projects creating indebtedness or liability, direct or contingent, over \$750,000. I understand some of the discussion at that Board meeting claimed that RCSC could take these unilateral actions because it is organized under the laws of Title 10 as a not-for-profit corporation rather than being governed by Title 33, the Planned Communities Act. This justification is just plain wrong. Even if RCSC need not comply with the Planned Communities Act (a position we vehemently dispute), RCSC must still comply with Title 10 and its own bylaws. Approving the expenditures above \$750,000 without a Membership vote violates both Title 10 and your own Articles of Incorporation. At the December 20, 2013 Board meeting, I understand the Board again votes to approve an almost \$6 million project to improve the North Golf Course. This unilateral action also defies the requirement in the Articles of Incorporation to obtain membership approval for such expenditures. [See Enclosure #4.]

I am also in receipt of RCSC Board President James Basher's January 7, 2013 letter to my client Anne Randall Stewart regarding the alleged distribution of flyers on RCSC property. [See Enclosure #5.] The flyer was not enclosed with the letter. Please be advised that Mrs. Stewart and the Sun City Formula Registry did not produce, copy or distribute a flyer at the Sundial Center on December 20, 2012, nor did they authorize or request any other person or entity to do so.

We continue to be extremely distressed by RCSC's disregard of State law, its own Articles and Bylaws and, most importantly, its Members' interest. Please be advised if RCSC does not return to compliance with State law or its own rules, we will, if we must, litigate these illegal acts. We will also litigate your failure to properly notice and allow for Member input on the Board's "work sessions," as RCSC is, in fact, making decisions in those private meetings as well. It has come to our attention that one such "closed" meeting was held as recently as January 14, 2013. Further, please advise RCSC staff and Board members that nothing in federal or state law prohibits Members from recording open meetings. RCSC has, in fact, recording such meetings in the past and provided me with copies of such recordings upon request. To have your staff or elected official suggest that Member can be prosecuted for this "illegal" action smacks of intimidation and is contrary to the language and spirit of Arizona's Open Meeting Law.

Jim, by now you should know that I do not engage in bravado and I do not litigate these kinds of matters lightly. However, if these matters cannot be resolved quickly and amiably, I have been directed to bring suit to declare RCSC's actions illegal and to press our case that RCSC is governed by the Planned Communities Act. I believe we have a strong likelihood of success on the merits given RCSC's history over the past 5 years.

Please feel free to contact me at the regular or electronic mail address or by telephone to discuss this matter further. Also, as you and RCSC management are on notice that I represent Mrs. Stewart and the SCFR for matters related to this dispute, I would appreciate all future correspondence be directed to me (and not the clients directly) at the above address.

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Sincerely yours,



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Enclosures: Sun Views front page October 2012 Issue #132;
Kasper Letter (9/27/12);
Coleman Letter (10/1/12);
RCSC Board Meeting Summary (12/20/12); and
Brasher Letter (01/07/13).

cc: Anne Randall Stewart, SCFR homeowners via <http://www.annereport.com> and press
release