

Precedence: ROUTINE

Date: 09/02/2008

To: Philadelphia

From: Philadelphia

Scranton Resident Agency

Contact: SA [redacted]

Approved By: [redacted]

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Drafted By: [redacted]:mh

Case ID #: PH 194B-0 (Pending)

Title: NEPA MANAGEMENT ASSOCIATES;
STILLWATER LAKES CIVIC
ASSOCIATION - VICTIM
PUBLIC CORRUPTION

Synopsis: To advise the Philadelphia Division of a complaint filed with the Scranton Resident Agency (SRA). PHCRIMlp

Details: On 08/27/2008, SA [redacted] was telephonically contacted by Mike Glassic (570-894-2371), a resident and member of Stillwater Lakes Civic Association (SLCA). Glassic contacted the FBI due to concerns regarding the relationship of the Board of Directors of SLCA and NEPA Management Associates, who was contracted to manage the common areas within the private community. NEPA is [redacted] with [redacted] being the SLCA [redacted]. Glassic indicated because of his wife's recent election to a seat on the Board of Directors for SLCA, they have learned of issues causing concern to them.

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Glassic explained when the association was first formed, the SLCA obtained a right of first refusal for the sale of any property within the community. Further explained, this simply meant if anyone within the community sold their property, the Board of Director had to first waive the opportunity to purchase that property at the agreed upon sale price. In most cases, the only time this opportunity would be taken advantage of by the Board of Directors for SLCA would be when a vacant lot could be purchased at or near a community amenity (i.e. pool, playground, or sports field), thus, allowing the SLCA to expand their common area. It was noted the Board of Directors is not in a position to purchase property (required to be done with cash) in an effort to "flip" the property for a profit.

Glassic learned in May 2006, the Board of Directors for SLCA at that time sold the right of first refusal to a company also owned by [redacted]. Glassic alleged [redacted] misled the Board of Directors by stating the right of first refusal was not truly worth anything, and it was not an asset worth retaining. [redacted]

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paid the association \$8,000 for this right of first refusal. Classic claimed by [redacted] telling the Board of Directors the right of first refusal was worthless, he deceived and subsequently defrauded all members of the association of potential profits [redacted] has subsequently gained from this purchase. Classic also claimed individuals have attempted to review documents and contracts prepared as a result of this relationship between the Board of Directors of SLCA and NEPA Management Associates but have been rebuffed by NEPA employees.

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SA [redacted] summarized the above allegations to Assistant United States Attorney Lorna Graham, United States Attorney's Office, Scranton, PA, to determine if there existed any potential Federal violation regarding the above complaint. The possibility of a violation of mail fraud and/or wire fraud was mentioned as a possible nexus for Federal prosecution.

SA [redacted] arranged a 08/29/2008, meeting with [redacted]. [redacted] was advised of the complaint filed with the SRA and was asked to explain his company's involvement with SCLA.

[redacted] first explained his NEPA relationship. His company became the property managers for SCLA approximately nine or ten years ago. NEPA has approximately 25 contracts with similar communities in the Poconos. Their job entails three facets: Administration (handles membership and membership issues), Operations (street cleaning, general maintenance, and repair of common areas), and Financial (collection of dues and fees). NEPA works for the Board of Directors. The Board of Directors is elected by SLCA members.

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[redacted] indicated he had, in 2006, purchased the right of first refusal from the Board of Directors. He pointed out the SLCA and his realty company share a common lawyer from a large firm in Allentown, PA. Prior to the purchase of the right of first refusal, a document was executed by both parties indicating knowledge and consent for this lawyer to handle the matter for both parties. The company who purchased the right of first refusal from the SLCA Board of Directors is the realty company for Wilkins Associates. The purchase contract executed for the sale requires Wilkins Associates to pay SLCA \$25 for every property sold within Stillwater Lakes. Wilkins Associates completes all of the required paperwork and inspections for the sale that prior to this, the SLCA Board of Directors was required to pay someone to complete. [redacted] advised his company is in a financial position that they have instituted the right of first refusal on some properties due to the opportunity to "flip" the property for a profit. He also agreed the Board of Directors was not now in a position to be guaranteed the opportunity to purchase land at or near community amenities. They may now have to negotiate a sale from his company. [redacted] denied misleading or in anyway defrauding the members of the then Board of Directors for SLCA as a result of his purchase of this right of first refusal.

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[redacted] further addressed the issue of the allegation

that documents and/or contracts involving Stillwater Lakes are not available to the members. [redacted] displayed a disclosure clause that he requires individuals to sign prior to "opening the books." He indicated as a business, he does not want the details (i.e. costs or fees charged by him to the SLCA) being made public so that a competitor could underbid him based on this inside information. He indicated most individuals refused to sign the non-disclosure agreement; and thus, he refuses to allow them full access.

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Follow up contact was made with [redacted]
[redacted] She also emphasized her belief that [redacted] and the attorney mislead, lied, and defrauded the Board of Directors in 2006, regarding the value of the right of first refusal. [redacted] could not provide any direct knowledge regarding this allegation since she was not on the Board of Directors at that time. [redacted] was requested to discuss her beliefs with the Board of Directors at their next meeting to determine if any then members of the Board of Director shared this belief.

As a result of the above initial inquiries into the complaint filed with the SRA, the SRA will not be conducting any further investigation into this matter unless a 2006, member of the Board of Directors of SLCA comes forward and documents a specific act of deception regarding the sale of the right of first refusal.

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