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DISTRICT COURT

CLARK COUNTY, NEVADA

LAS VEGAS - CLARK COUNTY LIBRARY DISTRICT,

Plaintiff,

v.

FRIENDS OF SOUTHERN NEVADA LIBRARIES, INC., a Nevada corporation, and Does I through X inclusive; and ROE CORPORATIONS I through X inclusive,

Defendants.

CASE NO.:
DEPT NO.: X111

A 56 10 19

COMPLAINT

(Exempt from Arbitration - Equitable Relief Sought)

BUSINESS COURT REQUESTED

Plaintiff Las Vegas - Clark County Library District claims for relief as follows:

GENERAL ALLEGATIONS

1. Plaintiff Las Vegas - Clark County Library District (the "Library District")

was created by the Nevada State Legislature to serve all persons living in the 7,927 square miles of Clark County except for those living in the incorporated area of North Las Vegas, and those served by the Henderson and Boulder City Library Districts.

2. Defendant, Friends of Southern Nevada Libraries, Inc., is a Nevada

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non-profit corporation ("Friends"), originally incorporated in 1971 under the name "Friends of the Clark County Library District and name changed to Friends of Southern Nevada Libraries, Inc. on April 23, 2003." Copies of the Articles of Incorporation and Amendments, attached as Exhibit 1.

3. The true names and capacities, whether individual, corporate, associate or otherwise, of defendants Does I through X and Roe Corporations I through X are unknown to plaintiff at the present time and plaintiff therefore sues said defendants by such fictitious names. Plaintiff is informed and believes and thereupon alleges that each of the defendants designated as Does I through X and Roe Corporations I through X are responsible in some manner for the events and happenings referred to here. Once discovery has disclosed such entities, plaintiff will ask leave of this Court to amend its Complaint to insert the true names and capacities of said defendants and to join such defendants in this action.

4. The stated policy and purpose of Friends is "to provide funds to meet special needs and requests of the Las Vegas-Clark County Library District." Bylaws and Policies, dated 4/13/05, attached as Exhibit 2.

5. A special relationship existed between Friends, an institutional volunteer, and the Library District. Based on Friends stated policy and purpose, the Library District entrusted Friends with its retired books and provided a designated space in the various Clark County Library District libraries to sell the books. Friends also received books donated by others to the Library District not meeting Library District collection requirements.

6. Friends established an account for the book sales proceeds and provided the Library District with an informal uncertified financial report as a course of

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dealing almost every month. The Library District would then from time to time submit a written request to Friends to fund various identified library activities or meet funding requirements.

7. The Library District is required to maintain financial statements prepared in accordance with generally accepted accounting principles in the United States, which must be audited and submitted annually to the State of Nevada as required by NRS 354.624.

8. The Library District's comprehensive annual financial report for the period July 1, 2006 through June 30, 2007, included various Friends' sales activities from the Library District's properties in that period. Specifically, \$253,862 was generated through Friends' sale of retired books from Library District's properties in that time period whereas Friends contributed \$179,890 to the District in that same time frame. Totals for Amazon, eBay and warehouse sales are not included in these figures.

9. As a result of the financial review of the Comprehensive Annual Financial Report initiated by the Library District, inquiry was made by the Library District of Friends to give an accounting of funds from the books and records of Friends in the form of an audit to give the Library District information sufficient to reconcile the issues presented on the face of its financial report in a form that met requirements of GASB.

10. Friends, through its Board of Trustees, declined the Library District's request for audit. Efforts followed to negotiate and formalize an agreement (to include the audit obligation) with Friends failed and no agreement was reached.

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11. On April 4, 2008, the Library District again requested Friends permit an audit to take place allowing Friends to choose any licensed CPA to undertake that process. A true and correct copy of the April 4, 2008, letter is attached as Exhibit. 3.

12. Friends responded April 10, 2008, without referring to the request for audit and without agreeing to undertake or permit an audit. Exhibit 4.

13. In a meeting conducted by the Library District on March 13, 2008, and a second meeting of the Board of Trustees of Friends, the Trustees of Friends on April 9, 2008, have openly taken the position that Friends is entitled to distribute the proceeds from the sale of Library District's books to any 501(c)(3) organization of its choosing rather than solely funding special needs and requests of the Library District as set forth in Friends' bylaws, policies and past policies.

14. Friends has threatened to dissolve and distribute the funds currently in its possession to whatever 501(c)(3) organizations it chooses. During a Friends' Board of Trustees meeting held on April 9, 2008, the Friends' trustees entertained proposals to distribute the subject funds to third parties other than the Library District.

15. The Library District seeks an injunction to prevent Friends from disposing of the subject funds to any organization other than the Library District. Any disbursement of the Library District's funds to others would cause irreparable harm to the Library District and the public.

16. The Library District seeks a declaratory judgment stating that all of the funds and books entrusted to Friends are rightfully the property of the Library District and that Friends has no discretion to provide those funds to anyone other than the Library District.

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FIRST CAUSE OF ACTION
BREACH OF TRUST

17. The Library District incorporates and alleges paragraphs 1 through 16 of the Complaint, as if stated herein.

18. The Library District entrusted possession of its books to Friends for the sole purpose of selling the books and raising funds for the benefit of the Library District.

19. Friends, who acknowledge that its sole purpose was to provide volunteer services on behalf of the Library District, acted in violation of its stated purpose and by refusing to deliver the proceeds derived from the sale of the Library District's books to the Library District, refusing the Library District's requests for audit, and entertaining proposals to distribute the Library District's funds entrusted to Friends to others.

20. It has been necessary for the Library District to pursue this claim and it is entitled to reasonable attorneys' fees therefore.

SECOND CAUSE OF ACTION
ACCOUNTING

21. The Library District incorporates and alleges paragraphs 1 through 20 of the Complaint, as if stated herein.

22. Friends is in possession of an unknown amount of funds and books belonging to Library District. Friends has represented it holds over \$350,000 and may be holding over \$500,000 considering approved but unpaid obligations.

23. The Library District, as the owner of such property, is entitled to an accounting/audit of the books and records in Friends' possession for the time frame at issue in these proceedings.

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24. The Library District has requested an audit of Friends' records to no avail. The Library District has been required to bring this action to determine the status and value of its property presently in Friends' possession.

25. It has been necessary for the Library District to pursue this claim and it is entitled to reasonable attorneys' fees therefore.

THIRD CAUSE OF ACTION
DECLARATORY RELIEF

26. The Library District incorporates and alleges paragraphs 1 through 25 of the Complaint, as if stated herein.

27. The Library District seeks declaratory relief determining that all of the books and funds entrusted to the Library District are the rightful property of the Library District.

28. The Library District also seeks declaratory relief acknowledging that Friends does not have discretion to deliver the subject funds to any organization other than the Library District.

29. The Library District seeks declaratory relief in the form of an order acknowledging its right to audit Friends' books and records and inventory currently in Friends' possession to fulfill its obligations as a public entity.

30. It has been necessary for the Library District to pursue this claim and it is entitled to reasonable attorneys' fees therefore.

FOURTH CAUSE OF ACTION
PROMISSORY AND EQUITABLE ESTOPPEL

31. The Library District incorporates and alleges paragraphs 1 through 30

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of the Complaint, as if stated herein.

32. The Library District has relied to its detriment upon a course of dealing with Friends and its representations, both through Friends' bylaws and in communications with the Library District over many years, including written representations that Friends' sole purpose was to provide funds for the Library District and no other.

33. The Library District relied upon those representations and provided Friends with all of its retired books for years which books are valuable. Such books have been and are now the source of proceeds held by Friends under threat that Friends will deliver those proceeds to some third party.

34. The obligation to remit all proceeds of retired Library District books, books donated to the Library District and provided to Friends or books donated by the public to the Library District but delivered to Friends must be enforced for the Library District as a promise for benefit received and otherwise as an enforceable equitable estoppel.

35. It has been necessary for the Library District to pursue this claim and it is entitled to reasonable attorneys' fees therefore.

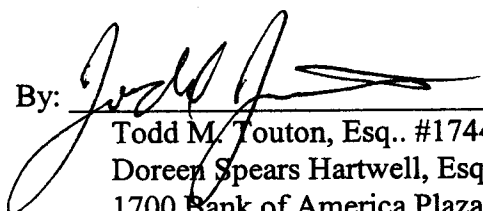
Wherefore, the Library District prays for the following relief against Friends as follows:

1. For injunctive relief prohibiting the Friends from transferring and/or disposing of any of the sales proceeds and books other than for its ordinary operating expenses;
2. For declaratory relief acknowledging that the funds and books belong to the Library District;
3. For declaratory relief acknowledging that Friends does not have discretion to

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- deliver the subject funds to any organization other than the Library District;
- 4. For declaratory relief that should Friends choose to dissolve that the boilerplate federal tax related language of Article 10 does not give Friends the discretion to distribute the subject funds to any entity other than the Library District;
- 5. For declaratory relief that the Library District is entitled to an audit of Friends' financial records consistent with GASB standards;
- 6. For a constructive trust in favor of the Library District over the funds currently in Friends' possession;
- 7. For restitution to the extent the Library District has conferred a benefit upon Friends by way of reliance.
- 8. For an award of special damages, including the costs and reasonable attorney's fees; and
- 9. For such other and further relief that the Court deems just and proper.

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