

**SOUTHWYCK COMMUNITY ASSOCIATION
ANNUAL MEETING**

THURSDAY, JANUARY 9, 2019

STATEMENT CONCERNING SECTION IV LAWSUIT
AGAINST SOUTHWYCK COMMUNITY ASSOCIATION

On September 5, 2019, Southwyck Section IV filed another lawsuit against the Southwyck Community Association alleging wrongdoing in the Master's collection of assessments and its production of records to the Section IV Association.

This is not the first time Section IV has sued the Master Association. In the previous lawsuit, which began in 2015, the parties litigated their responsibilities and obligations to each other concerning assessments as well as the appropriate method to amend the governing documents for the Section IV / Master Association. This prior lawsuit was Section IV's attempt to break away from the Master Association and gain financial control of the assessment process from the Master Association by trying to change the Section IV Declaration without getting the votes of the members of the Master Association. The Court concluded the votes of the Master Association members were required for any amendment to the Section IV Declaration and the Court entered a court order against Section IV, its then current and future board members, its attorneys and anyone else working for Section IV that prohibited them from taking any action that amended the Section IV Declaration without a majority of the signatures from the members of the Master Association. Section IV appealed the Court's order to the 14th Court of Appeals who affirmed the Court's order in October 2017.

Section IV's recent lawsuit is its newest attempt to gain financial control of the assessment process for Section IV. In the present case, Section IV's claims allege accounting irregularities in the Master's collection and processing of assessments. Section IV claims the Master is wrongly collecting assessments, wrongly calculating its share of the assessments and tendering the wrong residual amount to Section IV, yet their lawsuit contains no specific allegations of such conduct.

Section IV also has claimed the Master Association has failed to accurately maintain and produce financial records related to its obligations under the Declaration and various state statutes including the Texas Trust Code, the Texas Property Code and the Texas Business Organizations Code. Section IV seeks a court order requiring the Master Association to produce financial records and an accounting of the Master Association related to all Section IV homeowners. More importantly, Section IV wants an order that amends the Section IV Declaration to allow Section IV to levy and collect its own assessments – which is completely contrary to the November 2015 order from the district court in the prior litigation. Section IV's claims against the Master alleging it has violated the Texas Trust Code, the Texas Property Code and the Texas Business Organizations Code are also baseless because the law does not apply to Section IV's claims in the way they have alleged.

The Master Association's insurance carrier – Traveler's – has stepped in to defend the Master Association against the Section IV lawsuit. They have hired the same attorneys who worked on the previous lawsuit for the defense of this most recent lawsuit. As the case develops, future updates will be provided.