

Update on the Johnson's lawsuit against the Preserve Homeowner's Association

Link to complaint document: <https://portal-nc.tylertech.cloud/app/RegisterOfActions/#/CAD4E8CA0CB8EA4E994743B2AD26C559654530871AAE3979553975EC96A85BA46C4EE9B15C58509278927DC1FA9DC230D1C3B881DE96A773A8261C68A408D22FA8511128D7BFCD7C157C413146BE8678/anon/portalembd>

Since the link is very long, we are also emailing it under separate cover. If you are interested, check your email.

The lawsuit that was initiated by the Johnson's was done so specifically to determine what happened to the roughly \$38,000 that the HOA Board had addressed with the financial audit performed from June to July. The results of which was shared with the community. In addition to a request for documents, the Johnson's are asking the court to rule on the HOA paying for their attorney's fees. This has not been resolved as there has yet to be a hearing on the subject.

The following is a list of key events related to the lawsuit from this year (2024).

- Prior to the suit being filed, The Johnson's attorney contacted the HOA's council requesting all financial documents from the HOA going back to 2017. From that point forward, all direct communication between the Board and the Johnson's ceased. Any information since has passed through the HOA's attorney.
 - With the exception of records from BB&T (bank statements prior to transition to Wake HOA Management), other receipts, etc. have been presumed to have been thrown away by previous board members. BB&T was the bank used by the Preserve Homeowner's association prior to contracting with Wake HOA management.
- In June, the Johnson's filed a complaint against Wake HOA with the NC real estate commission. The Board was named as a witness. Herb spoke with an investigator. The complaint was about the ~\$38,000 misplaced funds were and a claim that another roughly \$50,000 was misappropriated.
- The board was informed of the suit by the Johnson's on July 17th, 2024.
- North State Bank, who was the HOA's bank during our time with Wake HOA management, was subpoenaed on August 22nd to produce statements for all accounts from January 1, 2019 to present. That information was provided to the Johnson's.
- The initial hearing date for the Johnson's suit was scheduled for September 9th, but the Johnson's requested to withdrawal their motion for records inspection and asked to court to remove the hearing from their calendar on September 9th.
- On September 12th, the Johnson's attorney reached out to the Preserve HOA's council offering to stay any deadlines for records review provided that the HOA pay for the Johnson's attorney's fees up to that point. The Board declined this offer.
- On September 27, the Johnson's filed for an expedited hearing
- October 16, all documents requested, with the exception of those from before the Preserve's transition to Wake HOA Management were picked up and signed off on by Jeff Johnson at Towne's office in Raleigh.

- We will not be doing any "Preserve Sponsored" events next year (Ice Cream Social, Pool Opening, Holiday Parties, sponsoring awards for the community functions, etc.)
- The Board is reviewing the re-scheduling of Non-Essential Community projects. As an example, we will be delaying the installment of Pool related services. While this area is to address preemptive activities such as re-plumbing of the pump and chemical area, auto filler for the pool water, repainting of the rest rooms to adding baby changing stations to address the needs of our new families, etc.
- Should something catastrophic take place that we are not able to fund, we will have to address the issue by the possibility of closing the affected area. We are hopeful that insurance will cover any issue, if not the Board may have to pass (for the first time in the Preserve history) a special assessment.
- We are looking at the option of reverting to self-management, or reducing the services we currently receive from Towne in order to reduce costs.

If you are selling your home, you are required to advise the buyer that a lawsuit is taking place. The Board has communicated, via email, this point to homeowners. We are sending out a mailer with this information to help ensure all homeowners are properly informed.

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