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Chamberlain Hrdlicka Secures Unanimous Defense Verdict in \$2.5M Commercial Property Dispute

April 21, 2025

HOUSTON, April 21, 2025 – Chamberlain Hrdlicka today announced its trial team secured a favorable jury verdict in the 270th Judicial District Court (Judge Dedra Davis presiding) for firm client Tepeyak Group, LLC, against Pennington Companies Inc (Penn Co) and their subsidiary Coast to Coast Motors, LLC (Coast to Coast).

In May 2019, Tepeyak Group, LLC, the seller of commercial real estate in the extraterritorial jurisdiction of Harris County, sold the property to Penn Co for \$2.5 million. At the time of the sale, there were various code violations issued to Tepeyak – some created by Tepeyak, which were resolved without cost, and other major construction code violations created by Coast to Coast without written permission from their landlord, Tepeyak, and without obtaining permits from Harris County. Despite being aware of code violations, Penn Co proceeded with the sale.

Harris County sued Penn Co after the sale for violations of floodplain management, and Penn Co ultimately voluntarily agreed to build a detention pond and convey a right-of-way rather than tear down structures to cure code violations caused by Tepeyak's tenant, Coast to Coast. In May 2021, Penn Co filed a lawsuit against Tepeyak after Tepeyak declined to pay for damages caused by Coast to Coast.

Trial began on March 26, during which the jury heard that Penn Co and Coast to Coast completed significant illegal construction in a flood plain without permits or written permission, including pouring concrete, building a fence, turning a large patio into a large commercial building and forcing employees to work in a building with serious fire code violations for months. Following several delays, the jury charge and closing arguments were finally presented on April 16. Penn Co sued Tepeyak for real estate fraud, common law fraud, negligent misrepresentation, breach of contract, and fraud by non-disclosure. They asked for \$1.5 million in economic damages, \$600,000 in attorneys' fees, and additional punitive damages. Tepeyak countersued Penn Co for tortious interference and breach of contract and sued Penn Co's subsidiary, Coast to Coast, for statutory fraud and breach of their lease agreement. Tepeyak asked for indemnification and attorneys' fees.

The jury unanimously rejected all of Plaintiff's claims and instead found that Penn Co and Coast to Coast had committed statutory fraud against Tepeyak and Coast to Coast breached their lease agreement with Tepeyak. Tepeyak was awarded \$20,000 in damages for breach of contract and all of their attorneys' fees.

Chamberlain Hrdlicka Secures Unanimous Defense Verdict in \$2.5M Commercial Property Dispute, *Continued*

Shareholder R. Kyle Hawes, senior counsel Michael Feibus, and associate Elizabeth Pollard represented Tepeyak with invaluable support from litigation paralegal, Rosa Reyes. Hawes and Feibus, who served as co-lead counsel, guided the case from start to finish and shaped the litigation strategy at every stage. Feibus delivered both the opening and closing statements and examined multiple witnesses. Pollard successfully argued several pretrial and trial motions, drafted the jury charge, directed her first witness, and completed her first jury trial.

"We are appreciative of the jury's careful consideration of the evidence and are satisfied with their just verdict," said Hawes and Feibus. "We want to recognize the excellent work of our trial team and thank them for their hard work and perseverance under very difficult circumstances."

