

VERDICTS & SETTLEMENTS

FRIDAY, OCTOBER 4, 2013

CORPORATIONS

CONVERSION

Breach of Fiduciary Duty

BENCH DECISION: \$4,113,634.

CASE/NUMBER: James B. Dodds, et al. v. One Easy Loan Inc. / 37-2009-00085219.

COURT/DATE: San Diego Superior / Aug. 29, 2013.

JUDGE: Hon. Lisa C. Schall.

ATTORNEYS: Plaintiff - Daniel A. Lawton, Joseph C. Kracht (Lawton Law Firm, San Diego).

Defendant - Alan Zhang (Alan Zhang, Attorney at Law, Arcadia) for David Wei.

TECHNICAL EXPERTS: Plaintiff - James B. Dodds, valuation of privately-held companies, Coronado.

Defendant - Jules H. Kamin, Ph.D., economics and econometric analysis, Los Angeles.

FACTS: Plaintiffs were minority shareholders in One Easy Loan Inc., a start-up student loan consolidation corporation, whose stock was privately held. In 2005, One Easy Loan had its first year of profit, and an anticipated change in a federal

regulation governing debtors' ability to consolidate multiple loans with one lender promised large profits in 2006. Majority shareholders, Marcus Lee and David Wei sought to buy out the minority shareholders, but could not reach an accord.

A shareholder derivative suit was later filed claiming Lee and Wei looted One Easy Loan, and used its assets, resources, and employees to open a new, competing student loan consolidation business, Priority Student Loans. The suit also alleged that Lee and Wei fired One Easy Loan's founder and president, James Dodds and left One Easy Loan an empty shell.

A jury trial in 2010 resulted in verdicts holding Lee, Wei, and Priority Student Loans liable for conversion and breach of fiduciary duty. However, plaintiffs appealed the jury and trial court's calculation of the damages.

The Court of Appeal reversed the damages portion of the 2010 judgment, while letting stand the liability findings, and remanded for a limited retrial on damages.

PLAINTIFF'S CONTENTIONS: Plaintiffs contended that defendants looted and destroyed One Easy Loan in order to start their own competing company thus violating their fiduciary duties as majority shareholders of One Easy Loan.

DEFENDANT'S CONTENTIONS: Defendants denied any wrongdoing. Defendants contended that Dodds had mismanaged One Easy Loan. Defendants also contended that One Easy Loan lacked any value in March 2006, and thus that there were no damages.

SETTLEMENT DISCUSSIONS: Plaintiffs demanded \$1 million.

Before trial, defendant Wei offered to pay \$200,000 in order to settle the case.