

VERDICTS & SETTLEMENTS

Shareholder dispute settles for \$705K

Plaintiffs alleged violations of Business Corporation Act

Plaintiff's counsel noted that a recent Oakland County Circuit Court case demonstrates that minority shareholders have a remedy when those in control of a corporation engage in wrongdoing.

The plaintiffs consisted of eight shareholders of Beaver Creek Golf Links, Inc., which owned, operated and then sold a golf course in Oakland Township.

The plaintiffs, who held only 8 percent of the corporation's shares, sued the managing shareholder, contending that the sale was disclosed to shareholders only days before the closing and was consummated for a price many of the shareholders believed to be unreasonably low. The plaintiffs also alleged that the defendant had converted profits from operations and had failed to account to the plaintiffs.

Plaintiff's counsel obtained an injunction, freezing the net proceeds

of the sale — approximately \$1 million — in an escrow account. Thereafter, the plaintiffs took numerous depositions, interviewed witnesses and pored through tens of thousands of documents detailing the financial performance of the golf course and a related food service entity. The plaintiffs also retained two experts, one who valued the golf course and banquet operations and one who reported on unaccounted-for funds.

The plaintiffs then amended their complaint and, in addition to counts for conversion, breach of fiduciary duty and minority oppression, added other counts for violations of the Business Corporation Act, including dissenter's rights claims against the controlling shareholder and related shareholders/insiders.

The case then settled with the 8 percent shareholder plaintiffs obtaining approximately 70 percent of the escrowed funds, or \$705,000.

Type of action: Shareholder dispute

Type of injuries: Monetary

Name of case: Orlando, et al. v. Calhoun, et al.

Court/case no./date: Oakland County Circuit Court; #04-56905-CK; Oct. 5, 2005

Name of judge: Gene Schnelz

Settlement amount: \$705,000

Attorneys for the plaintiff: Gerard Mantese and Ian Williamson

Attorney for the defendant: Withheld

Name/city of most helpful experts: Thomas Frazee, UHY Advisors; David Burr, Allen & Associates

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