#1

Investors seek damages after Arab-American Ponzi scheme collapses

Default judgment granted for 200-plus plaintiffs as defendant refuses to appear in federal court

$172.2 million

HONIGMAN

MANTESE

In a RICO, fraud and breach-of-contract lawsuit filed in U.S. District Court for the Eastern District of Michigan, a collective of approximately 200 similarly situated plaintiffs sought compensatory damages — to be trebled under RICO — from defendants Ahmed Alabadi and Abdzhra Shalushi, among others, asserting financial loss stemming from two interconnected Ponzi schemes targeting Arab-Americans.

Plaintiffs asserted that Alabadi, considered the top mastermind and wealthiest of the Ponzi schemers, and Shalushi operated the schemes via alleged shell companies, Fatima International, Adam Trade Group and Fedek Group. Shalushi ran a scheme from 2006-08, and Alabadi's ran from 1998-2008. It was argued that defendants recruited other individuals, called "agents," to fraudulently obtain investments from the victims, almost all of whom were Arab-American.

According to the complaint, plaintiffs contended that defendants "exploited cultural taboos forbidding dishonesty and financial self-dealing with tribal brothers and sisters to dupe thousands of Iraqi-Americans into investing in Iraqi and Middle-Eastern projects." The lawsuit also alleged that the "investments" were fraudulent and that the defendants used the money to pay themselves or earlier investors.

Plaintiffs engaged in substantial discovery, including multiple depositions revealing defendants' fraudulent scheme. Many defendants did not provide discovery, but plaintiffs demonstrated the criminal enterprise and damages in the tens of millions of dollars through a detailed process of depositions, victim affidavits, translated receipts and interviews.

Defendant Alabadi contended his refusal to appear stemmed from threats made on his life, despite counsel offering to have his deposition taken at the federal courthouse, where he would be under the protection of U.S. marshals.

As a result, plaintiffs moved for default judgment, asserting that Alabadi's conduct was sufficient to warrant a default judgment without any lesser sanction. Default judgment was granted against defendants, jointly and severally, in the aggregate amount of $57.4 million, and treble damages under RICO were granted, making the total judgment $172.2 million.

Types of actions: RICO, fraud, breach of contract

Type of injuries: Lost investment

Name of case: *Abass, et al. v. Shalushi, et al.*

Court/Case no./Date: U.S. District Court, Eastern District of Michigan; 10-CV-11837; Nov. 10, 2011

Tried before: Judge

Name of judge: David M. Lawson

Judgment amount: $172.2 million

Most helpful expert: Jesse A. Ultz, forensic accountant, Southfield

Attorneys for plaintiff: David M. Honigman, Gerard Mantese, David Hansma

Attorney for defendants: Ronald A. Ferrebee

Status: Defendant Alabadi has filed a motion to set aside judgment; hearing set for March 2012.

#15

Ex-shareholder asserts oppression, breach of contract in lawsuit

Third-party witnesses say lifetime employment was part of the deal

$2.3 million

MANTESE

SAXE

In a lawsuit filed in Wayne County Circuit Court, plaintiff Timothy Sweeney sought damages from defendants Vince Mucci, Frank Mucci, Mucci Food Products, Ltd. and Mucci Immobiliare LLC, asserting shareholder oppression, breach of fiduciary duty, and breach of oral employment agreement. Defendants filed a counter-complaint against plaintiff also seeking damages.

Sweeney was a 20 percent owner and vice president of Mucci Food Products, Ltd., a company that manufactures and sells pasta products, and a 20 percent owner of Molise Ltd., L.C., a real estate investment company.

Sweeney, together with the controlling shareholders and co-owners, brothers Vince and Frank Mucci, opened Mucci Food, and grew the company into a very successful business. Five years later, plaintiff and the other co-owners formed Molise to invest in real estate for their future benefit.

Plaintiff asserted mismanagement and oppression by the defendant controlling shareholders, resulting in, among other things, lost profits and damages to plaintiff. He also contended having an oral agreement with the other co-owners, pursuant to which all three would have lifetime employment at Mucci Food. After many years of the three owners working at Mucci Food, plaintiff asserted that the defendant controlling shareholder ousted him, and terminated his wages and benefits.

Defendants contended that there was no oral agreement for lifetime employment, and denied that their actions constituted shareholder oppression. It also was asserted that defendants had the right to terminate plaintiff's employment.

The parties engaged in substantial written and oral discovery, with plaintiff's counsel taking thorough depositions of the defendants and third-party witnesses. Among other things, plaintiff's counsel effectively obtained admissions from defendants that plaintiff was entitled to a buyout, and obtained statements from third-party witnesses supporting the promise of lifetime employment. The parties also retained competing experts regarding the valuation of the companies.

The matter settled for $2.3 million, with plaintiff receiving a buyout of approximately $1.3 million, plus an additional $1 million in damages.

Types of actions: Shareholder oppression, breach of fiduciary duty, breach of contract

Types of injuries: Loss of stock value, wages and profits

Name of case: *Sweeney v. Mucci Food Products, Ltd., et al.*

Court/Case no./Date: Wayne County Circuit Court; 11-001282-CK; June 28, 2011

Name of judge: Wendy M. Baxter

Settlement amount: $2.3 million

Most helpful experts: Barry Grant, financial forensics, Southfield; Philip Gaglio, business valuation, Southfield; Guy Hostetler, vocational rehabilitation, Southfield

Attorneys for plaintiff: Gerard V. Mantese, Brian M. Saxe

Attorney(s) for defendant: Withheld

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#24

Ex-law firm partners clash over dissolution

Valuation of contingency practice disputed from both sides' experts

$1.435 million

MANTESE

SAXE

In a confidential lawsuit, plaintiff/counter-defendant lawyer and defendant/counter-plaintiff lawyer sought damages in a shareholder dispute over the value of the law firm and its dissolution.

The parties, beginning in 2001, built up a successful law practice, which they owned 50-50. The firm included a substantial contingency practice for a few large clients, which generated significant revenue on an ongoing basis, as well as an hourly practice.

However, the parties reached a point where they could no longer work together, and filed claims against each other. The parties each retained business valuation experts and proceeded to arbitration on the value of the contingency practice.

Plaintiff/counter-defendant and his expert asserted that defendant's interest in the contingency practice should be severely discounted for several reasons, including anticipated additional costs to maintain the contingency work.

Defendant/counter-plaintiff contested the methodologies of plaintiff/counter-defendant's expert as well as plaintiff's approach to valuing the firm's practice. It also was contended that the value of the contingency practice should account for a future stream of revenue.

After discovery and arbitration proceedings, the matter was resolved, with defendant/counter-plaintiff receiving a $360,000 lump sum cash payment, a $725,000 arbitration judgment, and the $350,000 value of the firm's hourly practice, for a total settlement of $1.435 million.

Type of action: Shareholder dispute over value of law firm

Type of injuries: Value of ownership interest

Name of case: Confidential

Court/Case no./Date: Confidential; June 2011

Name of judge: Withheld

Settlement amount: $1.435 million

Most helpful expert: Jesse A. Ultz, valuation and financial opinions, Southfield

Attorney(s) for plaintiff/counter-defendant: Withheld

Attorneys for defendant/counter-plaintiff: Gerard V. Mantese, Brian M. Saxe

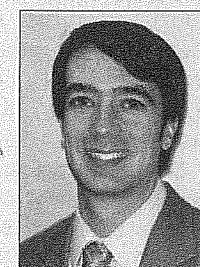
#26

Complex implicated by estate for letting people with criminal records in

Plaintiff: Proper steps not taken to prevent woman's stabbing death

$1.285 million

MANTESE



FREY

In a confidential wrongful death lawsuit, plaintiff's estate sought compensatory damages from defendant apartment owner following the stabbing death of plaintiff's decedent.

In 2008, a 23-year-old mother of two children was stabbed to death inside of her apartment. Despite the landlord having a policy against leasing apartments to people with criminal records, discovery and investigation revealed at least 25 tenants living at the complex with serious criminal records. Also, depositions revealed that two of the five employees who worked at the apartments prior to and at the time of the murder also had criminal records.

Through tenant interviews, it was established that the apartments were equipped with defective locking mechanisms, which would not have prevented the kind of breaking and entering that likely resulted in plaintiff's death.

Discovery also revealed that the apartment owner contracted with a background screening company, yet failed to appropriately use the company's services. In addition, one tenant with an especially long criminal record — who was the subsequent murder suspect — had submitted an application to lease an apartment from the defendant.

Though his application was rejected because of his criminal record, he continued to live at the apartment complex with his girlfriend, with the knowledge and acquiescence of the manager.

Plaintiffs' counsel took the depositions of the murder suspect at the prison, where he had been sentenced for having possession of property that had been stolen from the decedent's apartment a month before the murder. The suspect gave testimony that was inconsistent with statements he had made to the detectives investigating the murder, which suggested his guilt.

To the extent that plaintiffs' counsel could prove that the suspect-tenant committed the murder, this strengthened the case, because the tenant should have never been there in the first place, given his criminal record.

The case settled seven weeks before trial for $1.285 million.

Type of action: Wrongful death

Name of case: Confidential

Court/Case no./Date: Confidential; May 10, 2011

Name of judge: Withheld

Settlement amount: $1.285 million

Most helpful experts: John Harris, security expert, Atlanta; Barry Grant, CPA, financial and economic expert, Southfield; Guy Hostetler, vocational rehabilitation, Southfield

Insurance carrier(s): Withheld

Attorneys for plaintiff: Gerard V. Mantese, Brendan H. Frey

Attorney(s) for defendant: Withheld

Keys to winning: Vigorous discovery, extensive investigative work by plaintiffs' counsel