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Lees Inns of America, Inc v. William E. Lee, Revocable Trust, et al.

December 30, 2008

Case Summary

The Jennings Circuit Court entered a \$7.5 Million judgment in favor of KGR client and against Lees Inns of America, Inc. on December 30, 2008. The Judgment resulted from a squeeze out merger by Lester Lee as 51.6% shareholder of his deceased brother's trust ("William Trust"), which owned the remaining 48.4%. The case history reveals a combined family effort over 15-20 years building equity and value in a chain of 20 hotels around the Midwest, mostly in Indiana. The controlling shareholder then eliminated any opposition as his elderly brother grew ill in health and ultimately terminated his brother's sons, who were also officers and directors of the corporation, and then placed on the Board of directors only persons who were in his immediate family, including his wife and adult children; and then put in place a series of transactions and benefits awarding to himself substantial property and income rights, including some substantial occurrences without the knowledge of the minority shareholders.

The 12 day trial was a classic statutory dissenter's rights case for the valuation of the 48.4% minority shares after the squeeze out merger which occurred in 2000, 8 years ago. The Court disqualified from the valuation a major transaction that would have substantially devalued the corporate stock. The Court made numerous findings against the personal interest of the majority shareholder relating to manipulation and control of the corporation, breach of fiduciary duty and constructive fraud; all of which will relate to collection. Such findings in the judgment may relate to post judgment remedies such as piercing the corporate veil(s) relating to Lees Inns, affiliates and relatives of the controlling shareholder. The Court also awarded expert fees to the William Trust amounting to over \$275,000, and an award of attorney fees exceeding \$600,000. The award of professional fees and expenses in such a proceeding was justified under the statute by the Judgment findings of arbitrary or vexatious conduct or conduct not in good faith.

The Court found, in essence, that Lees Inns had engaged in minority shareholder oppression. The judgment in this case is a virtual reference tool for corporate and fiduciary duty litigation of the oppressed minority shareholder.

There were 5 experts testifying on the value issues and numerous fact witnesses on the fiduciary duty issues, including certain Lees Inn board members, including the wife and certain children of Lester Lee who together acknowledged some of the fundamental facts regarding conduct which the Court found as unfair. The Court's findings and Judgment addressed Indiana law regarding valuation considerations consistent with and relying in part on the law of other leading jurisdictions as to points which have not been expressly addressed in Indiana, but which are consistent with Indiana law.

The dissenter's rights statute was enacted in 1986, as the sole remedy to an aggrieved minority shareholder in a squeeze out, thus preventing direct legal action against other offending shareholders. There are a relatively small number of reported decisions under the statute. To read the judgment click [here](#).

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