

VERDICTS & SETTLEMENTS

FRIDAY, OCTOBER 21, 2022

VERDICT: DEFENSE



Krsto Mijanovic



Steven A. Scordalakis



Stephen J. Squillario

ATTORNEYS

BREACH OF FIDUCIARY DUTY Professional Negligence

VERDICT: **Defense**

CASE/NUMBER: Karla D. Vukelich v. Thomas Palmer, et al. / RG19002747

COURT/DATE: Alameda Superior / Aug. 24, 2022

JUDGE: James R. Reilly

ATTORNEYS:

Plaintiff – Karen M. Goodman, James Chabot (Goodman Law Corporation)

Defendant – Krsto Mijanovic, Steven A. Scordalakis, Stephen J. Squillario (Haight, Brown & Bonesteel LLP)

FACTS:

Plaintiff Karla Vukelich filed a legal malpractice action against her former attorneys, defendants Thomas Palmer and Wendel, Rosen, Black & Dean LLP, for professional negligence and breach of fiduciary duty. She alleged that defendants committed malpractice in connection with plaintiff's sale of \$3 million in shares to a privately-held company (Color Spot), which Plaintiff's deceased husband had co-founded.

Plaintiff claimed defendants erred because Color Spot should have paid cash for her stock in 2011, rather than issue a promissory note for \$3 million. Plaintiff alleged, in the alternative, that the promissory note should have included a payment schedule and security, and that the promissory note should have included terms that ensured that she would receive payment in full in 2014 as she expected. Finally, plaintiff claimed that defendants should have counseled plaintiff to file suit against the company after it refused to pay off the promissory note in 2014 and failed to disclose a conflict of interest, reasoning that defendants then realized they had erred in negotiating the stock repurchase in 2011. In May 2018, Color Spot--which had been impacted by the California drought and flooding in Texas - filed for bankruptcy. The bankruptcy wiped out plaintiff's promissory note, which had an outstanding principal balance of \$2.65 million, because she was an unsecured creditor.

PLAINTIFF'S CONTENTIONS:

Plaintiff claimed professional negligence and breach of fiduciary duty, alleging that (1) she could have obtained a better deal in the 2011 stock repurchase by receiving cash instead of the promissory note, or a payment schedule

and security in the promissory note, or terms that would have guaranteed her payment in 2014, and (2) she would have prevailed in a lawsuit against Color Spot for its failure to pay off the promissory note on October 14, 2014.

DEFENDANT'S CONTENTIONS:

Defendant denied all contentions.

INJURIES:

Plaintiff suffered emotional distress.

SETTLEMENT DISCUSSIONS:

Prior to trial, Plaintiff demanded \$3.4 million. Defendants issued a CCP 998 for \$100,000. During trial, Plaintiff's lowest demand was \$2.55 million. Defendants made a last, best and final offer of \$750,000.

RESULT:

Defense verdict. The trial was bifurcated, and the statute of limitations was tried first. After a four-week trial, the jury returned a unanimous defense verdict on August 24, 2022, finding that plaintiff's claim was barred by the one-year statute of limitations.

FILING DATE: Jan. 15, 2019