

FRAUD IN THE INDUCEMENT CASE RESULTS IN OVER \$85 MILLION JUDGMENT

The expert testimony of partners, [Craig L. Greene, CPA/CFF, CFE](#) and [James L. McGovern, CPA/CFF, CVA](#) of McGovern & Greene LLP helped to persuade the judge in a bench trial matter to decide in favor of our client, and award more than \$85 million in damages. The matter involved the sale of a chain of retail store locations in Northern Nevada, and was litigated in the Second Judicial Court, State of Nevada, and County of Washoe.

Our client alleged that the Seller had fraudulently induced them into purchasing the stock of the business; that the construction management services to be rendered by the Seller as included in the Stock Purchase Agreement had not been performed; the estimate of working capital had been materially misrepresented; and caused other related economic damages as a result of the purchase of the business.

Greene and his team of fraud examiners and forensic accountants spent several weeks examining the detailed financial statements, accounting records, individual transactions and other business and financial documents of the purchased retail business. Greene's examination focused on material misrepresentations by the Seller of the financial statements, working capital estimate, and other financial representations included in the Stock Purchase Agreement. Based on his examination, he testified as an expert witness and submitted to the court his detailed expert report supporting the claim of the buyer that they had been fraudulently induced into purchasing the business by the material financial misrepresentations of the Seller.

McGovern's team consisted of forensic accountants specializing in contract and construction related matters. They examined the accounting, construction cost records, budgets and other schedules pertaining to development sites purchased as part of the Stock Purchase Agreement. Like Greene, he prepared a detailed expert report and provided expert witness testimony supporting Buyer's claim for damages stemming from material misrepresentations and the failure to properly manage completion of the development sites by the Seller. McGovern also assisted in defending against the Seller's \$9.3 Million claim for amounts owed on the development sites.

On September 13, 2010, the Court announced its decision in the matter, wherein it found that the Seller had made fraudulent representations as to both the construction management agreement and the value of Company. In addition, the Court found that the Buyer had been fraudulently induced into purchasing the business from the Seller. Subsequently, the Buyer was awarded in excess of \$85 million in damages and the Seller's claims were denied. Still pending is the judge's ruling on punitive damages which could result in as much as triple the original \$85 million award.

[McGovern & Greene LLP](#) is a CPA firm which specializes in forensic accounting, litigation services and fraud examination with office locations in Chicago, Las Vegas and Atlanta. The firm's partners and principals are very experienced in providing expert testimony in a wide range of financial cases. For further information, contact: craig.greene@mcgovnrgreene.com