2016 IL App (1st) 130775-U No. 1-13-0775

THIRD DIVISION December 7, 2016

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IN THE APPELLATE COURT OF ILLINOIS FIRST JUDICIAL DISTRICT

JACOB THAZHATHUPUTHENPURAC, Plaintiff-Appellee,))	Appeal from the Circuit Court of Cook County.
v.)	No. 06 CH 8545
JT ENTERPRISES OF CHICAGO, INC. and THOMAS ABRAHAM, Defendants-Appellants.)))	The Honorable Kathleen M. Pantle, Judge Presiding.

JUSTICE PUCINSKI delivered the judgment of the court.

Presiding Justice Fitzgerald Smith and Justice Cobbs concurred in the judgment.

ORDER

- ¶ 1 Held: Judgment affirmed where circuit court correctly found money had been wrongfully diverted in the amounts claimed; properly calculated credits to defendant; and court did not abuse its discretion in awarding attorney fees in an amount supported by the record.
- ¶ 2 Jacob Thazhathuputhenpurac (plaintiff) filed suit against defendant JT Enterprises of Chicago, Inc. (JT) and Thomas Abraham (defendant) (referred to collectively as defendants) alleging violation of the Illinois Business Corporation Act of 1983 (Act) (805 ILCS 5/12.56 (eff. Jan. 1, 2007)); tortious interference with prospective business; and requesting an accounting.

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Defendants responded with a counterclaim for breach of fiduciary duty. Following a bench trial, the circuit court found in favor of plaintiff on all three counts of his complaint and defendants appealed. For the reasons that follow, we affirm the circuit court.

¶ 3 BACKGROUND

The pertinent facts as set forth in the circuit court's March 30, 2012 order finding in favor of plaintiff are as follows:

In 1997, plaintiff and defendant invested in a newly formed corporation, JT.¹ The business of JT was the operation of a Shell service station with a convenience store in Chicago Ridge, Illinois. JT did not own the property upon which the service station was located, but leased the property from Shell. The purchase price of the service station was roughly \$230,000. Plaintiff and defendant partially financed the purchase price by taking out a loan in the amount of \$90,000. Each also invested \$115,000 of his own money. Though each intended to be a 50% shareholder, Shell insisted that one shareholder hold 51% of the shares. Both plaintiff and defendant agreed that defendant would be the majority shareholder.

In 1999, defendant formed a second corporation, TVA. Defendant was the sole shareholder of TVA, although defendant offered plaintiff shares in TVA, plaintiff declined. The business of TVA was the operation of a Shell service station with a convenience store in Bridgeview, Illinois. TVA also leased property from Shell. Defendant owned another entity, G&P, which also operated as a service station.

Plaintiff managed JT from 1997-2002. He worked full time and ran the service station on a daily basis. He was responsible for the employees, the cash, stocking merchandise, keeping a daily book and paying vendors. He often worked overtime as some employees would not show

¹ JT was involuntarily dissolved by the State of Illinois in January, 2006.

up on time or at all. Plaintiff was paid \$500 a week. During this time, defendant worked full time for the United States Postal Service, but would frequently meet with plaintiff to discuss JT's business.

¶ 8 In 2001, plaintiff stopped working at JT due to health problems. Plaintiff returned to work in December 2001, but left again in April 2002, when a disagreement arose between plaintiff and defendant. According to plaintiff, he was "frozen out." According to defendant, plaintiff "walked away." In August 2002, plaintiff relocated to Florida and informed defendant of his relocation.

In 2001, Shell announced a rent increase that was to be effective in 2002. The rent increase was substantial, almost double. Plaintiff and defendant agreed to sue Shell on behalf of JT. TVA also sued. The case against Shell was a complicated matter and settled in 2005. Defendant signed the settlement agreement on behalf of JT and TVA. As part of the settlement agreement, defendant surrendered JT to Shell, for a credit of \$225,000. Shell agreed to sell and TVA agreed to buy the Bridgeview property. Shell also agreed to give TVA a deduction from the purchase price in the amount of JT's credit, \$225,000.

¶ 10 JT received essentially nothing under the terms of the settlement agreement even though its tax returns showed that JT had assets of \$229,000. Instead, JT would return its station to Shell and Shell would purchase its inventory. Defendant applied the entire amount of \$225,000 to TVA. TVA closed in February 2005. JT closed in June 2005.

¶ 11 Anthony DiVincenzo (DiVincenzo) one of the attorneys who represented JT and TVA in the Shell litigation, dealt only with defendant while representing JT and TVA. DiVincenzo was not aware that anyone other than defendant held stock in JT during the course of the Shell litigation, and only became aware of plaintiff's involvement in JT in 2010.

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Throughout the years, defendant would transfer money back and forth between JT, TVA and G&P. At no time before making these transfers did defendant contact plaintiff about the transfers, nor did defendant seek plaintiff's permission before making the transfers. The net transfers from JT to TVA from 2003-2006 were \$67,027. The net transfers from JT to G&P from 2003-2006 were \$107,850. Defendant testified that the transfers were repayment for monies owed for the cost of goods transferred to JT and reimbursement for checks that TVA and G&P wrote on behalf of JT. There were no copies of checks to substantiate these payments.

Defendant also advanced loans to JT. He financed these loans by borrowing money from his home equity account. The amount of money that defendant personally loaned JT was \$101,000. JT's 2005 tax return indicates that a shareholder loan was repaid in the amount of \$25,000. As defendant dealt with the tax accountant every year and plaintiff testified that he did not receive the \$25,000, defendant was the one who was repaid as he was the only other shareholder in JT.

On May 1, 2006, plaintiff filed a complaint against defendants. Count I alleged violation of section 12.56 of the Act,² in that as a shareholder, plaintiff expected to receive a return on his investment; unanimous votes were required on all major decisions; defendant refused to share profits; and defendant sold the business and kept the proceeds. Count II alleged tortious interference with prospective business claiming that defendant prevented plaintiff from reasonable expectation of receipt of profits and return on investment. Count III requested an accounting, alleging that defendant refused plaintiff access to the books and records of the business. Defendants responded with a counterclaim for breach of fiduciary duty; alleging

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² Section 12.56 of the Act allows for shareholder remedies in non-public corporations. 805 ILCS 5/12.56 (eff. Jan. 1, 2007).

plaintiff refused to manage the day to day operations, refused to contribute to JT's financial wellbeing, and refused to reimburse JT for stolen cash assets.

After nearly six years of litigation and a four-day bench trial, on March 30, 2012, the ¶ 15 circuit court entered judgment in favor of plaintiff and against defendant in the amount of \$158,699.73, which was calculated as follows: "\$225,000 (the amount of the proceeds from the settlement with Shell) + \$67,027 (the amount that was wrongfully diverted from JT to TVA) + \$107,850 (the amount that was wrongfully diverted from JT to G&P) - \$101,000 (the amount of shareholder loans from Defendant to JT) + \$25,000 (the amount of shareholder loans repaid to Defendant) x 49%." The court specifically found that defendant had engaged in self-dealing throughout the years; defendant admittedly destroyed relevant financial records of JT; and wrongfully transferred money between the three corporations. The court also determined that defendant did not discuss the Shell settlement with plaintiff and the entire benefit of the settlement agreement went to TVA. While the court noted that defendant claimed that TVA and G&P were paying JT's expenses; the court found that there was no corroboration for this claim. The court found that defendant admittedly destroyed relevant financial records of JT and that the records that remained were unreliable. The court also found defendant's testimony not to be credible. The court determined that plaintiff contributed a substantial amount of money to JT at the beginning of JT's existence and was a shareholder in JT at all times. The court determined that plaintiff was entitled to reasonable attorney fees as he was successful on his claim brought under the Act. The court also found against defendants in their counterclaim for breach of fiduciary duty.

Defendants filed a motion to reconsider raising several issues: including that the amount of the judgment should be adjusted to correctly reflect the court's ruling; the court should

reconsider and accept as credible defendant's testimony; the corporate tax returns corroborate defendant's testimony; the amount of damages should be readjusted because defendant loaned JT \$5,000 and attorney fees at the Shell litigation closing reduced the \$225,000 benefit; and finally the court erred by awarding attorney fees under the Act.

After a hearing, the court granted defendants' motion to reconsider in part. The court agreed that there had been a miscalculation and the amount of the judgment should be adjusted to \$103,574.73 for compensatory damages. After reviewing the materials, the briefs and the arguments of counsel, the court declined further to reconsider its ruling. In its written order entered on October 18, 2012, the court also found that defendants waived their argument that the damages award should be reduced by 49% of the attorney fees paid for the Shell settlement "as those costs reduced the \$225,000 benefit," because it was never raised. Waiver aside, the court stated that "it has no merit as there is no evidence that the attorney fees 'reduced the \$225,000 benefit' as opposed to being just another cost associated with the closing." The court added that although "Defendants claim that the Court erred by not considering that Abraham loaned to JT the sum of \$5000, there was no credible evidence that such a loan existed or occurred." The court also found that defendants' counterclaim was not litigated in good faith and pursuant to section 12.60(j) of the Act, awarded attorney fees to plaintiff for defending the counterclaim. 805 ILCS 5/12.60(j) (eff. Aug. 18, 1995).

Subsequently, plaintiff filed a petition for attorney fees and on February 8, 2013, there was a hearing. Plaintiff sought an award of attorney fees of \$16,641.69 and reimbursement of expenses and costs in the amount of \$352.00. Defendant objected, arguing that plaintiff was limited to an award of \$937.50 and nothing for costs and expenses, because the itemized expenses and fees only mentioned the counterclaim on certain particular dates; and these were

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the only monies that related to the defending of the counterclaim and could be reimbursed under the Act.

The circuit court determined that in fee shifting cases, such as this one, where there are covered and non-covered claims, a party is entitled to fees on a non-covered claim where the two claims "arise out of a common core of facts and related legal theories." *Hensley v. Eckerhart*, 461 U.S. 424, 435 (1983). The court reasoned that it may take into account the fact that at some points during the litigation, the issues became so intertwined that the time that plaintiff's attorney spent on each issue cannot and should not be distinguished for the purposes of determining reasonable attorney fees. The court found that plaintiff's attorney's detailed submissions were specific enough to meet the standards set forth in case law and the hourly fees sought were reasonable. The court granted plaintiff's petition and awarded attorney fees in the amount of \$16,641.69 and \$352.00 in costs. This timely appeal followed.

¶ 20 ANALYSIS

¶ 21 On appeal, defendants argue that the circuit court erred when it: (1) determined money had been wrongfully diverted in the amounts claimed; (2) failed to properly calculate credits to defendant; and (3) awarded attorney fees in an amount not supported by the record.

¶ 22 Standard of Review

"When a challenge is made to a trial court's ruling following a bench trial, the proper standard of review is whether the trial court's judgment is against the manifest weight of the evidence." *Carey v. American Family Brokerage, Inc.*, 391 Ill. App. 3d 273, 277 (2009). A trial court's judgment is against the manifest weight of the evidence when its findings appear to be unreasonable, arbitrary, or not based on the evidence. *Bazydlo v. Volant*, 164 Ill. 2d 207, 215 (1995).

Moreover, "'[where a trial judge has heard witnesses give oral testimony, his findings will not be disturbed unless they are plainly erroneous and contrary to the manifest weight of the evidence.' " *Trapani Construction Company, Inc. v. Elliot Group, Inc.*, 2016 IL App (1st) 143734, ¶ 36 (quoting *Johnson v. Fischer*, 108 Ill. App. 2d 433, 437 (1969)). "'The trial judge who sees the witnesses and hears the evidence is in a much superior position to find the truth than is a reviewing court,' and accordingly, the trial judge may decide the weight to be given the testimony and the credibility of the witnesses." *Id.* (quoting *Johnson*, 108 Ill. App. 2d at 437). In other words, it cannot be said that the trial court's judgment is contrary to the manifest weight of the evidence when there is a factual basis for the judgment. *Id.* at ¶ 37.

I. Wrongfully Diverted Money

- ¶ 26 Defendants argue that the circuit court erred when it determined that money had been wrongfully diverted in the amounts claimed. Defendants contend that plaintiff's trial exhibits of JT's corporate records prove that money was not diverted from JT. Defendants claim that the transfers of money were for legitimate expenses, which consisted of repaying short term loans among the three corporations, repayment of monies owed for the cost of goods transferred to JT, and reimbursement for the checks that TVA and G&P wrote on behalf of JT.
- TVA and G&P for 2004 in the amount of \$88,550 was repayment for cost of goods transferred.

 Defendants contend that JT's 2004 tax return reveals that all available money was used to pay bills and decrease debts. Defendants also contend that the return reflects that there was a loss for the year and therefore no profit was available to divert.
- ¶ 28 Defendants next claim that in 2005, JT ran out of checks and that defendant wrote checks from TVA and G&P for JT operating expenses. In support, defendants point to their trial exhibit

5, which includes bank statements for the first three months of 2002 and plaintiff's trial exhibit 8, which includes bank statements for the first six months of 2003, 2004 and 2005. Defendants maintain that the expenses covered in the first three months of 2002 were \$71,000; the expenses covered in the first six months of 2003 were \$123,085; the expenses covered in the first six months of 2004 were \$137,091.67; and the expenses covered in the first six months of 2005 were \$200. Defendants argue that JT could not have expenses in the amount of \$200 for 2005, when the previous two years showed increasing amounts of expenses during a similar six month period. Defendants assert that the bank statements corroborate defendant's claim that TVA and G&P were paying JT operating expenses in 2005.

Defendants also contend that the net transfers in 2005, from JT to TVA and G&P in the amount of \$76,200 was more than offset by the amount of JT expenses that TVA and G&P were paying once defendant ran out of JT checks. In support, defendants point to JT's 2004 and 2005 tax returns, which show that the cost of goods sold dropped from \$1,694,852 in 2004 to \$800,996 in 2005. However, since JT was closed in June of 2005, defendants claim that this evidences that the cost of goods sold by JT in 2005 was about equal to the cost of goods sold in the first six months of 2004. Defendants further claim that checks totaling \$137,091, written by JT for expenses in the first six months of 2004, would also be about equal to the expenses JT incurred in its operations in 2005. Defendants argue that this reflects that the \$76,200 JT transferred to TVA and G&P in 2005 was approximately \$60,000 less than the JT expenses paid by TVA and G&P. Defendants state that this is proof that JT owed reimbursement for checks written on its behalf to TVA and G&P and plaintiff's 49% share of the amount owed offsets any transfers from JT, and therefore, no funds were wrongfully diverted.

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¶ 30 The circuit court specifically found that defendant had engaged in self-dealing throughout the years, and defendant consistently wrongfully transferred money between the three corporations. The court found that defendant admittedly destroyed relevant financial information, including most of the daily books and some checks, and that the records that remained were incomplete and unreliable. The court also found defendant's testimony to be not credible.

The court determined that the entire benefit of the settlement agreement with Shell went to TVA and JT did not share in the \$225,000. The court observed that defendant admittedly did not discuss the settlement with plaintiff. The court reasoned that plaintiff contributed a substantial amount of money to JT at the beginning of JT's existence and was a shareholder of JT at all times. The court found that plaintiff was entitled to 49% of the wrongfully diverted funds and one-half of the amounts of the benefit that JT should have received as a result of the settlement agreement.

We agree and note that defendant admittedly destroyed records and there was no corroboration that TVA and G&P made payments on JT's behalf. We find sufficient evidence of monies being wrongfully transferred among defendant's three operations without input from plaintiff, a 49% owner of JT. We cannot say that the trial court's judgment was unreasonable, arbitrary, or not based on the evidence.

II. Credits to Defendant

In their motion for reconsideration, defendants argued that the circuit court erred when it failed to properly calculate credits to defendant. Here, as in their motion for reconsideration, defendants claim that the \$225,000 settlement with Shell was reduced by \$15,000 for JT's attorney fees. Defendants maintain that the settlement statement reflects that \$15,000 in attorney fees owed by JT for the Shell litigation was paid at the closing. Defendants argue that these

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attorney fees, which were incurred in the Shell litigation, were not part of the closing costs and should have been allocated between the parties. Defendants assert that plaintiff's share of the fees is 49% or \$7350. Alternatively, defendants claim that if those fees were deemed to be work performed for both JT and TVA in the Shell litigation, there would still be a credit of \$3,675, 49% of \$7,500. Defendants contend that plaintiff received his share of the Shell settlement without paying his share of the legal fees incurred to attain that benefit.

Additionally, defendants argue that the circuit court erred when it failed to credit defendant for a \$5,000 loan to JT. Defendants contend that the loan was not included in the \$101,000 credit for defendant's loans to JT. Defendants maintain that the loan was documented in their trial exhibit 22, which contained a deposit slip including a check for \$5000. Defendants argue that JT would never receive a check for \$5,000, in its normal course of business. Defendants contend that the judgment should be lowered by plaintiff's 49% of \$5,000 which is \$2,450.

The purpose of a motion to reconsider is to bring to the court's attention newly discovered evidence which was not available at the time of the hearing, changes in the law or errors of the court's previous application to existing law. *American National Trust Co. v. Kentucky Fried Chicken of Southern California, Inc.*, 308 Ill. App. 3d 106, 120 (1999). "Accordingly, a trial court is well within its discretion to deny such a motion and ignore its contents when it contains material that was available prior to the hearing at issue but never presented." *River Village I, LLC v. Central Insurance Cos.*, 396 Ill. App. 3d 480, 492-93 (2009), *quoted in In re Estate of Agin*, 2016 IL App (1st) 152362, ¶ 18. "Arguments raised for the first time in a motion for reconsideration in the circuit court are forfeited on appeal." *Evanston Insurance Co. v. Riseborough*, 2014 IL 114271, ¶ 36. Although "forfeiture" and "waiver" are frequently used

Insurance Co., 2015 IL App (1st) 150537, ¶ 18. "Forfeiture" is "the failure to make the timely assertion of the right, whereas "waiver" is the "intentional relinquishment or abandonment of a known right." *People v. Blair*, 215 III. 2d 427, 444 n.2 (quoting *United States v. Olano*, 507 U.S. 725, 733 (1993)). A trial court nonetheless has discretion to address issues raised for the first time in a motion to reconsider, but should only do so when there is "a reasonable explanation of why it was not [raised] at the time of the original hearing." *In re Marriage of Ostrander*, 2015 IL App (3d) 130755, ¶ 17 (quoting *Delgatto v. Brandon Associates, Ltd.*, 131 III. 2d 183, 195 (1989)). We apply an abuse of discretion standard of review to issues or arguments raised for the first time in a motion for reconsideration. *Agin*, 2016 IL App (1st) 152362, ¶ 18.

Here, we observe no evidence in the record that defendants intentionally relinquished or abandoned their right to raise the argument that the damages award should be reduced by 49% of the attorney fees paid for the Shell settlement "as those costs reduced the \$225,000 benefit" (*Pinske*, 2015 IL App (1st) 150537, ¶ 18), nor a reasonable explanation for why the argument was not raised earlier in the proceedings (*Klaine v. Southern Illinois Hospital Services*, 2014 IL App (5th) 130356, ¶ 13). Accordingly, we find that defendants forfeited this argument on appeal. *Klaine*, 2014 IL App (5th) 130356, ¶ 13.

Forfeiture aside, we note that the trial court concluded that even if the argument was not waived, it had no merit as there was no evidence that the attorney fees reduced the \$225,000 benefit as opposed to being just another cost associated with the closing. See *Pinske*, 2015 IL App (1st) 150537, ¶19 (reviewing courts may occasionally override considerations of forfeiture and waiver in order to achieve a just result and maintain a sound and uniform body of precedent).

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The trial court also concluded that there was no credible evidence that a loan of \$5,000 existed or occurred between defendant and JT.

We observe that the document evidencing the loan that defendants are referring to is a deposit slip listing a check totaling \$5,000, deposited in March 2003. However, the deposit slip does not identify the check number, nor does it indicate who it was from or the purpose of the check. Accordingly, we find no abuse of discretion in the trial court's conclusion that there was no evidence that the attorney fees reduced the \$225,000 benefit or that a loan of \$5,000 existed between defendant and JT.

III. Award of Attorney Fees

Turning to defendants' final argument on appeal, defendants claim that the circuit court erred when it awarded plaintiff attorney fees in an amount not supported by the record. Defendants maintain that pursuant to section 12.60(j) of the Act, the court should have limited the fee award to defending the counterclaim. 805 ILCS 5/12.60(j) (eff. Aug. 18, 1995). Defendants argue that specific entries from plaintiff's fee petition, which did not refer to plaintiff's counterclaim, were erroneously awarded to plaintiff. Additionally, defendants argue that an entry indicating "file response/complete" for 1.5 hours should not have been billed at the attorney's rate of \$375 an hour. Defendants contend that the award should be reduced by \$1,102.81.

¶ 42 Section 5/12.60(j) states in pertinent part: "If the court finds a party to any proceeding under section 12.50.12.55 or 12.56 acted arbitrarily, vexatiously, or otherwise not in good faith, it may award one or more other parties their reasonable expenses, including counsel fees and the expenses of appraisers or other experts, incurred in the proceeding." 805 ILCS 5/12.60(j).

¶ 43 We properly review only the question of whether the trial court abused its discretion in awarding attorney fees. *Lurie v. Canadian Javelin Ltd.*, 93 Ill. 2d 231, 239 (1982); *Langendorf v. Irving Trust Co.*, 244 Ill. App. 3d 70, 81 (1992); *Harris Trust & Savings Bank v. American National Bank and Trust Co. of Chicago*, 230 Ill. App. 3d 591, 598 (1992).

In all cases, however, only those fees which are reasonable will be allowed. *Kaiser v. MEPC Am. Properties, Inc.*, 164 Ill. App. 3d 978, 983-84 (1987). The determination of which is left to the sound discretion of the trial court. *Id.* It is also well-settled that the party seeking the fees, whether for himself or on behalf of a client, always bears the burden of presenting sufficient evidence from which the trial court can render a decision as to their reasonableness. *Id.* An appropriate fee consists of reasonable charges for reasonable services. *Id.*

However, to justify a fee, more must be presented than a mere compilation of hours multiplied by a fixed hourly rate or bills issued to the client (*In re Marriage of Angiuli*, 134 Ill. App. 3d 417, 423 (1985)), since this type of data, without more, does not provide the court with sufficient information as to their reasonableness, a matter which cannot be determined on the basis of conjecture or on the opinion or conclusions of the attorney seeking the fees. Rather, the petition for fees must specify the services performed, by whom they were performed, the time expended thereon and the hourly rate charged therefor. *Kaiser*, 164 Ill. App. 3d at 984. Because of the importance of these factors, it is incumbent upon the petitioner to present detailed records maintained during the course of the litigation containing facts and computations upon which the charges are predicated. *Id*.

Once presented with these facts, the trial court should consider a variety of additional factors such as the skill and standing of the attorneys, the nature of the case, the novelty and/or difficulty of the issues and work involved, the importance of the matter, the degree of

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responsibility required, the usual and customary charges for comparable services, the benefit to the client (*Ashby v. Price*, 112 III. App. 3d 114, 122 (1983)), and whether there is a reasonable connection between the fees and the amount involved in the litigation (*In re Estate of Healy*, III. App. 3d 406, 410-11 (1985)).

The circuit court found that defendants acted "otherwise not in good faith" during the course of the proceeding, by filing a frivolous counterclaim and forcing plaintiff to defend himself against the accusations contained therein. The circuit court determined that in fee shifting cases, such as this one, where there are covered and non-covered claims, a party is entitled to fees on a non-covered claim where the two claims "arise out of a common core of facts and related legal theories." *Hensley v. Eckerhart*, 461 U.S. 424 (1983). The court reasoned that it may take into account the fact that at some points during the litigation the issues became so intertwined that the time that plaintiff's attorney spent on each issue cannot and should not be distinguished for the purposes of determining a reasonable attorney fee. The court also found that plaintiff's detailed submissions were specific enough to meet the standards enunciated in *Kaiser*.

Plaintiff reasonably requested half of the attorney fees related to pre-trial conferences and half the attorney fees related to the trial itself, including trial preparation. We find that the issues were intertwined, both factually and legally, and the fees and expenses were supported by the record. We conclude that the court's findings were not an abuse of discretion.

¶ 49 CONCLUSION

For the foregoing reasons, the judgment of the circuit court is affirmed.

¶ 51 Affirmed.