

Attys Net \$4M Fees From Calif. Bank Deal Over Ponzi Scheme

By **Emilie Ruscoe**

Law360 (November 9, 2022, 6:03 PM EST) -- A two-attorney legal team will receive \$4.1 million in fees after brokering a \$14 million settlement deal with California Bank & Trust and resolving investors' proposed class action claims that the bank aided and abetted a \$100 million Ponzi scheme.

In a **Tuesday order**, U.S. District Judge William B. Shubb said counsel for investors Ronald Evans, Joan Evans and Dennis Treadaway will receive a \$4.1 million fee plus reimbursement of nearly \$154,000 in litigation costs.

Judge Shubb also said \$150,000 from the settlement fund could be used to cover claims administration expenses, and that Ronald Evans and Joan Evans could each have \$5,000 for their work representing the proposed class.

The judge also designated the three-plaintiff group class representative and named the counsel team — comprising Robert L. Brace of the Law Offices of Robert L. Brace and Michael P. Denver of Denver Law Group — as class counsel representing the class of about 60 investors who were allegedly hurt by the Ponzi scheme at the heart of the plaintiff group's claims against the bank.

The Tuesday order also grants final approval to the settlement deal and following the order, the allegations were dismissed with prejudice.

"Given the sophistication and experience of plaintiff's counsel, the parties' representation that the settlement reached was the product of arms-length bargaining over two mediations, and the five-year litigation history, the court finds the proposed settlement is non-collusive and is in the best interest of the class," Judge Shubb said.

The suit, which was filed in May 2017, stems from a Ponzi scheme that collapsed in 2014 and resulted in a 20-year prison sentence and **\$108 million forfeiture order** for its alleged mastermind, Deepal Wannakuwatte.

In the most recent version of the suit, which was filed in October 2019, the Evanses and Treadaway claimed the bank aided and abetted a vast scam perpetrated by Wannakuwatte through his wholesale import business, International Manufacturing Group Inc., which claimed it was using investor funds to import medical supplies such as latex gloves from Asia to sell to clients in the United States such as the U.S. Department of Veterans Affairs.

The investors claimed California Bank & Trust loaned the Ponzi scheme over \$21 million in at least nine transactions. According to the investors, the bank discovered the fraud in 2009 and stopped lending to the scheme, but it allowed IMG to "continue to operate the scheme inside the four corners of the bank" so it could get back the \$21 million it had invested in IMG.

The parties to the suit told the court about their **proposed settlement** deal in August, noting at the time that if all the members of the proposed class opted into the settlement deal, they would recover about 17% of their alleged \$55 million in losses.

On Wednesday, investor attorney Mike Denver told Law360 that "the investors lost their funds eight years ago, and we litigated for a little over five years, and it was very possible, that barring a settlement, the litigation would continue for several more years with no guarantee of a favorable

result."

"Add to that the fact that many of the class members are elderly, and it just made sense to resolve rather than to litigate for additional years," he said.

Denver noted the parties made two efforts to resolve the suit, first in 2019 and 2020, and then again in March. At the second mediation, he said, "we did not reach a meeting of the minds, but [the retired judge serving as the mediator] made a recommendation, and after about a week, we both accepted that recommendation."

Representatives for the parties did not immediately respond Wednesday to requests for comment.

Ronald Evans, Joan Evans and Dennis Treadaway are represented by Robert L. Brace of the Law Offices of Robert L. Brace and Michael P. Denver of Denver Law Group.

California Bank & Trust is represented by Robert S. Addison Jr., C. Dana Hobart, Robert S. Mcwhorter and Jarrett S. Osborne-Revis of Buchalter PC.

The case is Evans et al. v. Zions Bancorporation NA, case number 2:17-cv-01123, in the U.S. District Court for the Eastern District of California.

--Additional reporting by Dave Simpson. Editing by Lakshna Mehta.