

Non Profit Directors & Officers

Claim Examples

A club secretary sued the country club's governing board, alleging that the directors and officers were negligent for failing to supervise the club manager, who she claimed sexually harassed her.

The trustees of a charitable organization decided to expand their activities into areas that were not explicitly envisioned by the founders. Soon after, their state's attorney general brought an action against them alleging misuse of funds and property for operating outside their charter, even though no third party raised a complaint.

A YMCA advertised an open position for a camp counselor. The organization received seven applications. Of the seven applicants, one man was not chosen to be interviewed. This applicant alleged he was not interviewed because of his age, and he filed suit against the non profit organization for age discrimination. The organization denied any wrongdoing but settled the case for \$15,000 to avoid full litigation costs.

A lawsuit was brought against a non profit board of trustees for failing to supervise the executive director. When they submitted their legal bill to their D&O carrier, they learned for the first time that no payments would be made until a settlement had been reached. Legal costs piled up until a settlement was reached, five years later. The prohibitive costs caused the organization to close its doors forever.

A donor made a large contribution to a non profit. The funds were to be used primarily to aid impoverished children with educational and health care needs. Instead, the non profit, through its executive director and board of trustees, decided that they needed to expand the building and committed a portion of the donation to the building fund. The donor filed suit, alleging misappropriation of funds. The damages included return of the full contribution plus interest. As some of the money was already spent, the non profit would be financially unable to return the entire donation.

The personal assets of the directors and officers of a non profit organization were exposed when the organization ran out of funds to pay for a suit brought against it.

Representatives of a non profit organization become involved in attempts to influence legislation beneficial to the institution. Claims were presented challenging the organization's tax-exempt status under S501 (c) 3. An injunction was sought to prevent the organization from engaging in such legislative activity.

An officer served a term on the board of directors of her church. Eighteen months after completing her service, she was named in a suit alleging mismanagement of church funds for the last five years. The ex-officer discovered that the current board had failed to renew its insurance policy, so even though she had diligently maintained insurance coverage throughout her term of service, the former officer was left with no coverage for this suit.

For-Profit Directors & Officers Claim Examples

Plaintiff agreed to help form and work for a company as its Chief Operating Officer. He alleges that his employment was terminated without cause. Further, it is alleged that the company hindered his attempt to find new employment by telling third parties that the plaintiff is prohibited from using trade secrets and intellectual property that allegedly belongs to the company. A complaint was filed against the company and a D&O which included causes of action for breach of contract, and unfair and deceptive trade practices.

Defense costs and settlement for the individually named defendant exceeded \$180,000.

Plaintiffs represents a class of non-insider stockholders who invested in the company. Plaintiffs allege that certain directors and officers failed to disclose material facts and provided them with inaccurate and misleading information. It is alleged that the materials did not disclose the high turnover of management and that the company's website had not yet been developed. The company later went bankrupt. The complaint included causes of action for: (1) common law fraud; (2) negligent misrepresentation; and (3) breach of fiduciary duties.

Settled for over \$1 million and defense costs exceeding another \$1.4 million.

Plaintiff filed a complaint against individual D&Os of a company alleging that its CEO, CFO, & COO conspired to use the plaintiff's services to furnish, install and repair the company's equipment knowing that it was insolvent and was planning to file for bankruptcy protection. Causes of action included: (1) fraud, misrepresentation and non-disclosure; (2) deceptive trade practices; and (3) civil conspiracy.

Total settlement and defense of the individually named defendants exceeded \$100,000.

The plaintiff alleges that certain directors have exerted complete domination and control over the company and used the company as a vehicle for their own business purposes at the expense of the company and minority shareholders. Specifically, the plaintiff alleges that certain directors helped to renegotiate a service contract and booked all of the revenue during one quarter instead of over the three year life of the contract. The plaintiff also contends that this service contract received steep discounts and would cause other customers to request similar discounts resulting in lost revenue to the company.

The defense and settlement of this case exceeded \$500,000.

A wholesale supplier and distributor of food products meets with a sales representative of a new product line they are considering. The sales representative communicated that in order to develop a long-term exclusive relationship within the designated territory, the wholesaler must provide her with information regarding its business operations, customers, and trade secrets. Later on, the sales representative opened her own wholesale distributorship within the same territory.

This claim is currently being defended and defense costs have exceeded \$450,000.

A company enters into an investment agreement with a third party and agrees not to negotiate with other entity regarding financing or a potential acquisition for a two-week period. During the exclusivity period the company engages in negotiations with another investment group. The third party alleges breach of investment agreement and intentional and negligent misrepresentation.

Total defense costs and settlement exceeded \$350,000.

A private company agrees to perform market research for a start-up company in the material management industry. In exchange for their services, the company allegedly agrees to pay the private company \$20,000 in cash and 5% of the privately placed issued shares in the company. The company denies that they explicitly or implicitly agreed to pay the private company in stock. The plaintiffs allege several causes of action, including breach of fiduciary duty.

Total defense costs and settlement exceeded \$800,000.

A class action suit was commenced by various investors who participated in an internet startup company's a Private Placement that raised in excess of \$5 million to fund capital expenses, to provide working capital and to cover operating losses. An investigation made by and through counsel, primarily from corporate records and public records and documents shows that the Private Placement Memorandum contained an unaudited year end balance sheet and statement of profits and losses which were materially misleading.

Total defense costs and settlement exceeded \$500,000

A technology company received a complaint from an investor who alleges the company improperly induced the plaintiff to issue a note payable to the company. The plaintiff specifically alleges the company made false representations and other false statements regarding the company's forecasted rate of growth and failure to disclose its tax lien. The company defaulted on the promissory note when it failed to make the required principle and interest payments. The plaintiffs issued a demand letter and filed suit against the company.

The plaintiff agreed to accept the company's offer to convert the promissory note to stock in the company, but the defense costs exceeded \$100,000.

A diversified sports product company received a lawsuit against the President, CEO, and Chairman of the Board for not honoring a promissory note. The plaintiff alleges that it lent \$1 million to the company. The company allegedly agreed to pay the funds back within a month pursuant to the promissory note. Despite requests for return of the money, plus interest, the company has not returned the funds to the plaintiff.

Total defense costs and settlement exceed \$250,000