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Money Tree Execs Owe \$3M Damages To Creditors, Jury Says

By **Y. Peter Kang**

Law360, Los Angeles (October 26, 2016, 9:00 PM EDT) -- A Georgia federal jury on Wednesday awarded creditors of defunct payday lender Money Tree Inc. more than \$3 million in actual and punitive damages, finding that relatives of the company's late founder and its former chairman did not act in the best interests of the creditors.

After a three-week trial and nearly two days of deliberations, the jury determined that the estate of Money Tree founder Vance "Rudy" Martin, his two sons who served as company directors, and former Money Tree chairman Bradley D. Bellville breached their fiduciary duties of care and loyalty, among other claims. The jury awarded total damages believed to be in excess of \$3 million, according to the plaintiff's attorney, as well as punitive damages of \$75,000 to be paid by former Money Tree director and president W. Derek Martin and \$25,000 to be paid by Bellville.

The Post-Confirmation Committee for Small Loans Inc., an entity set up by the bankruptcy trustee and creditors' committee to pursue recovery actions, accused the defendants of improperly soliciting investments and fraudulently transferring certain Money Tree assets to themselves or various trusts through a complex, self-dealing scheme while the company was insolvent. Money Tree filed for **bankruptcy protection** in 2011.

The jury found Derek Martin, his brother Jefferey V. Martin and Bellville liable for breach of trust and fraud claims, while Derek Martin and Bellville were found liable for a claim of fraudulent transfer, according to the sprawling 67-page verdict form. Other family members, including the founder's daughter Grace Elizabeth Johnston, and spouses were either found liable or cleared of allegations among the more than 20 asserted claims in the suit.

An attorney for the creditors declined to comment. Representatives for the defendants did not immediately respond to requests for comment late Wednesday.

According to an amended complaint, the defendants made misleading statements to sell debt instruments to investors — many of whom were retirees in rural Georgia — to keep the financially strapped company afloat from 2000 to 2011.

"The defendants drained Money Tree's dwindling assets using a complex scheme of self-dealing, misrepresentation, misappropriation of business assets, usurpation of business opportunities, improper distributions and fraudulent transfers," the complaint states.

The suit claims the defendants opened numerous additional failing stores at locations leased from themselves at rates drastically above fair market prices, used investors' funds to pay themselves

“lavish executive salaries” and made other fraudulent transfers. The investors said they were bilked out of more than \$90 million while the company had a value of less than \$10 million, according to the complaint.

The committee is represented by John D. Elrod, John K. Londot, R. Kyle Woods and Michael H. Moody of Greenberg Traurig LLP.

W. Derek Martin is represented by John T. McGoldrick Jr. of Martin Snow LLP

Jefferey Martin is represented by J. Rice Ferrelle Jr. of Ferrelle Burns.

Grace Elizabeth Johnston is represented by Graham McDonald of O’Daniel McDonald LLC.

Bellville is represented by Christopher D. Gunnells of Rohan Law PC.

The case is The Post-Confirmation Committee for Small Loans Inc v. W. Derek Martin et al., case number 1:13-cv-00195, in the U.S. District Court for the Middle District of Georgia.

--Editing by Philip Shea.

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