

NEWS & INSIGHTS

5TH CIRCUIT UPHOLDS PARTNER JARED LEVINTHAL'S WIN FOR SED HOLDINGS

June 21, 2021

The Fifth Circuit has upheld, in large part, a **2019 federal jury verdict** secured by Lightfoot, Franklin & White LLC partner **Jared Levinthal** on behalf of SED Holdings, Inc. in a case involving massive fraud and bad faith. Levinthal won the case while at a previous firm and went on to serve as co-counsel for the appeal after joining Lightfoot. David Drez, with Wick Phillips, was lead appellate counsel.

In its opinion issued June 17, 2021, the Fifth Circuit affirmed the jury's judgment of liability in favor of SED against 3 Star Properties and the other defendants. It also remanded the case back to the lower court to revisit the damages assessed against the defendants.

The original dispute arose out of a 2014 loan sale agreement between SED Holdings and 3 Star. Under the agreement, SED purportedly acquired, free and clear, exclusive ownership of 1,235 non-performing loans from 3 Star for \$13.88 million, of which \$4 million was paid in cash.

Only after the agreement took effect was it revealed that the deal was a complete fraud: 3 Star did not own any of the loans it "sold" to SED — other entities that conspired with 3 Star to defraud SED did — and some of the loans did not even exist. SED demanded its money back, but 3 Star had already sent the funds off to its co-conspirators and it was forced into bankruptcy soon after.

After a painstaking and contentious four-year discovery process, Levinthal uncovered the full extent of the fraud perpetrated against his client and where SED's money had gone. Following a lengthy trial, the Houston jury found unanimously for SED on every claim. The case received significant media coverage, and Top Verdict **named Jared's victory** a "Top 20 Verdict in Texas" and a "Top 50 Commercial Litigation Verdict in the U.S." for 2019.