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Firing Costs Company $3.3 Million

Award Against Conglomerate Includes $1 Million Punitives

By Carol Angel
Daily Journal Staff Writer

Figgie International Inc., a Fortune 500 conglomerate, has been hit with a $3.3 million verdict for stock fraud and wrongfully terminating a top executive.

A Los Angeles federal court jury in ***Rosenzweig v. Figgie International Inc.,*** CV86-7774-RMT found that when Figgie fired Saul Rosenzweig in 1985, it fraudulently tried to circumvent its executive stock option plan.

Rosenzweig, then 60, had served as president of the conglomerate's telecommunications division—Figgie Communications in Westwood—for eight years.

The jury determined that Rosenzweig's firing was wrongful, awarding him $1,836,154 for compensation he would have earned during the next 12 years.

"We contended he would have worked until age 72," said Jerome L. Ringler of Fogel, Feldman, Ostrov, Ringler & Klevens in Los Angeles, who—with partner Robert M. Turner—represented Rosenzweig.

The jury also found violation of federal securities law, said Ringler, based on the publicly traded company's failure to follow the stock option plan as set out in its proxy materials.

Relied on Stock Plan

Ringler said Rosenzweig "was led to believe that if, God forbid, he should be terminated, at least he had the stock purchase plan he could cash in."

Instead, Ringler said, the company fired him and repurchased his stock—approximately 5,400 shares—at the price he initially paid, $1 per share.

The plan specified that repurchase of an executive's stock would be at current value—which in Rosenzweig's case, said Ringler, would have been around $80 per share.

And the plan also required the stock option committee to meet within 90 days of a termination to decide whether to repurchase stock.

"They didn't meet during the required 90-day period," said Ringler. "But they claimed resolutions were made by the board that authorized repurchase at original value, without a meeting."

The eight-person jury found those resolutions—"which were in complete contravention of the Figgie Executive Stock Purchase Plan—never existed," Ringler said.

Rosenzweig was awarded $457, 581 as lost profits on the stock. And as punitive damages for the stock fraud, jurors awarded $1 million.

Combined with the economic damages, the unanimous verdict totaled $3,293,735.

According to Ringler, Rosenzweig had "a terrific beginning" with the conglomerate, which has numerous divisions—including Rawlings Sporting Goods, Automatic Sprinkler Corp. of America and Continental Container Systems—and is headquartered in Willoughby, Ohio.

In his first year, Rosenzweig set up the communications division in Westwood and purchased a Lansing, Mich., radio station, WILX.

According to Ringler, he managed the station for about two years, then sold it for a profit that represented 10 percent of the gross profits of the entire conglomerate that year.

"The problem is, for the next six years he had no profit," Ringler said.

"But here's a guy who formed a division set up for long-term profit, and in his first two years made substantial profit for them. Then, because he did poorly, they fired him—at age 60."

He added, "We claim it was unfair because he was not given the assistance he needed to keep the division going. We showed they not only didn't intend to close down the division, as they told him, but wanted to operate it on the cheap by using him as a consultant."

Declined Consultancy

Figgie offered Rosenzweig certain benefits to sign on as a consultant, but he refused. Said Ringler, "If he had signed, they would have reduced his income substantially and continued to get the benefit of having him on board."

The defense claimed Rosenzweig worked actively in his own businesses after he left Figgie, and suffered no wage loss. "But we showed his income was passive, for work performed as a consultant prior to his termination—which he was permitted to do," said Ringler.

The jury reached its verdict June 26, after a four-week trial, and judgment was being entered this week.

Ringler expects Figgie to appeal. Rosenzweig would have settled the suit for $950,000, he said, "but they offered nothing. They still to this day have offered nothing."

Representing Figgie are James G. Johnson of Hill, Farrer & Burrill in Los Angeles, and Richard Cusick and David E. Bishop of Calfee, Halter & Griswold in Cleveland. Attempts to reach defense counsel by telephone were unsuccessful.