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Feature Story

Largest Verdicts Of 2004

Ex-CEO recovers for defamation after he was fired

#3 - \$6.2 Million

Jackson v. Government Micro Resources, Inc., et al.

Type of Case: Breach of contract and defamation

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Court: Prince William County Circuit Court

Attorney: Elaine Charlson Bredehoff, Reston

Summary: This case involved a CEO who was terminated and suffered per se defamation after illuminating financial errors at his new company.

Alan Jackson, 62, was hired as the president and CEO of Government Micro Resources, Inc. (GMR) in July

2001.

Jackson was hired to take GMR from a low-profit margin corporate reseller to a high-end, profitable services and solutions business. After joining GMR, Jackson faced a number of hurdles, including the owners' transferring the primary assets out of GMR after using the GMR line of credit to pay off the mortgages, a \$1.1 million loss through July 2001, and a \$400,000 accounting error.

Notwithstanding, Jackson pressed on, pursuing business with governmental agencies in the solutions and services area, as well as trying to sustain the reseller business. After Jackson told the owners that he needed to bring in auditors to report yet another error, a \$1.4 million inventory loss that had been incorrectly carried on the books over a span of several years, and report the \$1.4 million inventory problem to the bank (to which the chairman of the board and primary owner took great exception), the owners started the process of firing Jackson. At the

time Jackson stated that he believed the auditors needed to be brought in and the bank receive notice, GMR was in the process of renegotiating the terms of the line of credit.

Jackson was terminated by GMR, seven and a half months after he was hired, "for cause." Although the contract provided for a notice of termination to cure any alleged deficiencies, the owners held meetings (one of the board members was general counsel of GMR, so defendants invoked the attorney-client privilege on all the meetings leading up to the termination), and provided no notice, saying the nature of the reasons was incurable.

"This was a bloody and messy case that was very complicated with 15 volumes of <exhibits>," noted plaintiff's attorney Elaine Charlson Bredehoff. "It's very hard to prove that a CEO was not mismanaging a company ... you have to look at everything they've done."

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