

VERDICTS & SETTLEMENTS

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Jury Awards Beverly Hills Woman \$4.7 Million

By Drew Combs

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The case involved multiple real estate transactions and touched on rules of professional conduct. But according to plaintiffs' counsel, it was at heart a simple but sad tale about an elderly woman left homeless after being defrauded of her Beverly Hills house by one of the people she trusted most: her attorney.

"The defendants talked about how they conferred this enormous benefit on my client," said Scott P. Schomer, the plaintiff's current attorney, "when in actuality the numbers showed they were the ones that benefited in the form of a windfall.

"They got a five-bedroom house in Beverly Hills, and all my client got was \$60,000."

The defendant countered that the plaintiff, in a transparent attempt to void a fair and valid agreement in light of increasing property valuations, was the only one looking for windfall.

"My clients took all the risk," said Barak Lurie, the defendants' attorney. "The property could have depreciated. No one knew that the real estate market would take off."

"The plaintiff's property was widely overencumbered," he added. "She sued because she got in her mind somehow that she was owed millions of dollars."

After a three-week trial that pitted a grandmother against her former lawyer and his wife, it took the jury three hours to conclude that the plaintiff was in fact owed millions, \$4.7 million to be exact.

Lederman v. Schwarcz, BC307-709 (L.A. Super. Ct., filed Dec. 15, 2003).

"I felt vindicated," said Helene Lederman, the plaintiff. "It hit my heart that the jury believed me."

For several years, Lederman explored the possibility of selling her home of 20 years, but these efforts were complicated by a number of judgment liens against the house.



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Helene Lederman, second from left, gathers her team: from left, her son, attorney Payson Lederman, her grandson Noah, and her attorney, Scott P. Schomer. "It hit my heart that the jury believed me," Lederman said.

In February 1999, a neighbor introduced Lederman to attorney David Schwarcz, and she retained him as her representative and agreed to transfer the 6,000-square-foot home on Hillcrest Road to him.

Schomer said that if Schwarcz paid more attention to serving the best interests of the client rather than trying to "move on up" to Beverly Hills, he would have advised Lederman that she did not have to transfer possession of the home to anyone.

"Many of the judgment liens against the house were not valid because they were from creditors of my client's ex-husband," said Schomer of Torrance. "The liens attached after the divorce and the transfer of all his interest in the property."

In April 1999, interests in the property had been transferred again, this time to Schwarcz.

A few months later, Schwarcz moved into the home with his wife and co-defendant, Caroline Schwarcz.

Schwarcz did not respond to messages left at his office.

While the arrangement between Schwarcz and Lederman appears to be, at minimum, a conflict of interest, Lurie said this was one of the few options available for handling this matter.

"The only way this deal could be done is through an attorney," he said. "He could either assume the debt obligations and negotiate as if he himself was the debtor, or he could act as her attorney and be able to negotiate on her behalf."

But the property entanglement between Schwarcz and his former client does not end there.

In August 1999, Lederman, 69, took up residence in a Beverly Hills condominium purchased a month earlier in the name Caroline Schwarcz.

Although Lederman was under the impression she owned the condo, she agreed to this arrangement because the liens made

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it difficult for her to get a loan, she said.

Lederman lived in the condo until the defendants evicted her in September 2005. She has since had to move in with her son, attorney Payson Lederman.

After initially moving into the condo, Lederman made payments, which she described as mortgage payments but the defendants said were rent.

“My clients bought a separate penthouse and said she could pay the mortgage as rent,” said Lurie of Los Angeles. “They bought it and let her live in it, and then she decided that the property was hers somehow and she owned it.”

The defendants filed a cross-claim alleging that Lederman breached the lease. It was rejected by the jury.

The only other money that changed hands between the two parties was a \$60,000 payment from the defendants to Lederman in October 2000.

She said she was confused about the documents she signed but said Schwarcz gave her the impression that in exchange for her interests in the house, she would receive an initial payment of \$125,000 and a balance of between \$625,000 and \$1.4 million, depending on his success in clearing the liens.

When these payments were not provided, Lederman said, the parties came to a new agreement in which the Schwarczes made the mortgage payments on the condo.

Lurie said that the only money guaranteed to the plaintiff was \$125,000, which she eventually received in the form of \$60,000 in cash and \$65,000 in credit on rent while she lived in the condo.

Although the plaintiff might receive more money depending on how successful Schwarcz was in clearing the liens, which the defendant claims totaled \$2.8 million, nothing else was guaranteed, according to Lurie.

Lederman said she filed suit against the defendants after a four-year effort to get the money promised to her by the defendant. The present action was initiated in December 2003.

Schomer said that Schwarcz’s malfeasance is evident from the very beginning of his interactions with the plaintiff.

In a brief submitted to the court, the plaintiff’s claims that Schwarcz was already quite familiar with the property before he was introduced to Lederman because he represented Abby Bachrach, whom was owed money by Ronald Lederman, in a

judgment lien against the Hillcrest property in 1994.

In addition to the breach-of-contract claim, Schomer said that Schwarcz breached his fiduciary duty to Lederman as her attorney.

Lurie said that he was taken aback by the claims of professional misconduct since in his view “this was a simple breach-of-contract claim on a real estate deal.”

Whether simple or complex, the jury found that Schwarcz breached both the contract he entered into with Lederman and his fiduciary duty to her as his client.

Lederman was awarded \$2.7 million in economic damages and \$2 million in noneconomic damages. The jury also awarded \$500 in punitive damages. Lurie said that the small punitive award is clearly an indication that the jury did not see his clients as bad actors.

“They jury probably felt that my client didn’t document everything as well as he could have as an attorney,” Lurie said.

The defendant plans to file motion notwithstanding the verdict on the grounds that there are flaws in the jury verdict “because there is no causation in terms of wrongdoing on the part of my client,” he added.