

VIRGINIA:

IN THE CIRCUIT COURT FOR THE CITY OF RICHMOND

ADAM SCHRAGER,
in his derivative capacity,

and

REVOLUTION DEVELOPMENT
GROUP LLC,

Plaintiffs,

v.

Chancery No. 05-272

JOHN ISQUITH,

Respondent.

FINAL DECREE AND JUDGMENT ORDER

This stockholder derivative action was initiated by a Bill of Complaint, and later an Amended Bill of Complaint. Respondent filed an Amended Cross Bill.

The matters were brought for hearing and the presentation of the evidence before the Chancellor starting on December 2, 2005, and further evidence was heard over three days in February 2006. The Chancellor issued a letter opinion on July 18, 2006 and a letter addendum on July 21, 2006. (Letter opinion dated 7/18/2006 and addendum attached as Ex. 1.)

In regards to Plaintiffs' claims, the chancellor reserved several issues including the presentation of remaining evidence and oral argument for resolution at a later date. Respondent filed a Motion for Reconsideration on or about August 18, 2006. All parties filed appropriate briefing in support of their various arguments. The hearing on the remaining matters by Plaintiff and Respondent's Motion for Reconsideration was August 31, 2006. Thereafter, the Chancellor

issued a letter opinion on September 19, 2006. (Letter opinion dated 9/19/2006 attached as Ex.

2.)

Upon consideration of all the evidence, oral argument, briefing, and for the reasons stated in the July 21, 2006 letter opinion, letter addendum, September 29, 2006 letter opinion, and when appropriate in open court, it is hereby ORDERED AS FOLLOWS:

1. The Chancellor finds that (1) Isquith was a member/manager of RDG and as such had a fiduciary duty to RDG and the other member of RDG; (2) Isquith intentionally and willfully converted for his own use, RDG's money and property by reason of Isquith's position with RDG and as a result of his fiduciary relationship; and (3) Isquith intentionally ^{and} willfully, ^{and} ~~and maliciously with actual malice~~ ^{wantonly} took property of RDG knowing that such action would result in economic harm to RDG in at least the amount awarded by this Court. Consequently, the Chancellor finds in favor of Plaintiffs on the allegations in the Amended Complaint for conversion (Count I), breach of fiduciary duty (Count II), and breach of contract (Count III) based on the arguments and evidence presented.

2. The Chancellor awards damages on Counts I, II, and III based on Plaintiffs' list of Special Damages Nos. 1-15, which total \$252,150.56, and tax and accounting damages in the amount of \$15,779.00. (See Special Damages, attached as Ex. 3.) These total \$267,929.56, and such damages would be available under either Count I, II or III.

3. The Chancellor finds in favor of Plaintiffs on the allegation in the Amended Bill of Complaint for dissociation (Count IV) based on the arguments and evidence presented. John Isquith is dissociated for the reasons listed in Virginia Code § 13.1-1040.1(5)(a), (5)(b), and (5)(c). The effective the date Isquith's dissociation is the date of the entry of this Final Decree and Judgment Order.

4. The Chancellor finds in favor of Plaintiffs on the allegations in the Amended Bill of Complaint for the imposition of a constructive trust/unjust enrichment (Count V) based on the arguments and evidence presented. The Chancellor imposes a constructive trust on ~~43245 Augustine Place in Ashburn, Virginia~~ ^{43245-267929.56} ~~Isquith is not to encumber his interest in the house; is to continue to pay all taxes, mortgages, expenses to keep the house in good order; is to maintain the house; and is to turn over the deed to the house to RDG until such time as Isquith has satisfied this Final Decree and Judgment Order.~~ *und*

5. The Chancellor finds that pursuant to Virginia Code § 13.1-1045 and the Operating Agreement the Plaintiffs are entitled to an award of attorneys' fees, and awards \$125,000 based on the arguments and evidence presented.

6. The Chancellor finds in favor of Respondent on the allegations in the Amended Bill of Complaint for tortious interference with a business expectance, contract, and prospective business advantage (Count VI); fraud (Count VII); and statutory civil conspiracy (Count VIII). These counts are dismissed with prejudice.

7. The Chancellor finds in favor of Respondent on Plaintiffs' motion for sanctions for the filing of lis pendens by Respondent.

8. The Chancellor finds in favor of Plaintiffs on the allegations in the Amended Bill of Complaint for punitive damages (Count VIII). The Chancellor awards Plaintiffs \$15,000 in punitive damages from Isquith.

9. The total sum of the judgment awarded is \$407,929.26 (\$267,929.56 + \$125,000 + \$15,000). The judgment is to be paid to RDG.

10. The Chancellor finds in favor of Plaintiffs on Respondents' claims for offsets for business expenditures based on the arguments and evidence presented. Respondent failed to offer necessary documentary evidence to support his claims of business expenses.

11. The Chancellor finds in favor of Plaintiffs on Respondent's claims for credits for capital contributions based on the arguments and evidence presented. Respondent has no positive capital account to offset the damages against him.

12. The Chancellor finds in favor of Plaintiffs on Respondent's claims for profits based on the arguments and evidence presented. RDG's overall operations were a net loss.

13. The Chancellor denies the request for pre-judgment interest by Plaintiffs, and it is denied at the higher interest rates requested.

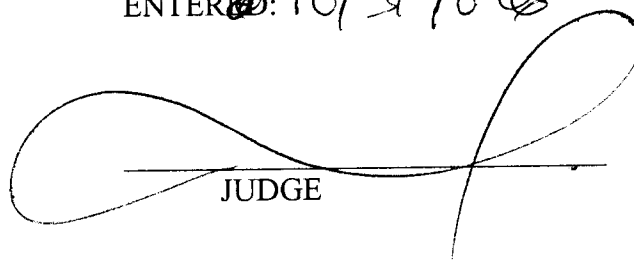
14. The Chancellor finds that Plaintiffs are entitled to post-judgment interest as required by law, and it is granted at the statutory interest rate.

15. The Chancellor finds in favor defendants in the Amended Cross Bill, Adam Schragger in his derivative capacity and RDG, based on the arguments and evidence presented. The Isquith's Amended Cross Bill is dismissed with prejudice.

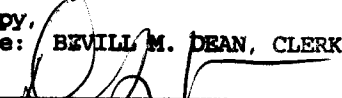
16. Respondent's Motion for Reconsideration is denied.

Let the Clerk of Court send attested copies of this entered Final Decree and Judgment Order to the parties listed below.

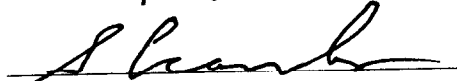
ENTERED: 10/31/06



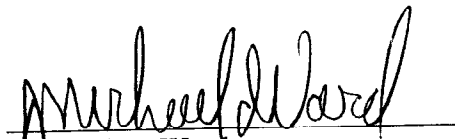
JUDGE

A Copy,
Teste: BEVILL M. DEAN, CLERK
BY: 

SEEN: *and objected to for reasons set forth in trial
Motion for reconsideration, and hearing to present
Final order of same date.*


Scott Crowley
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7201 Glen Forest Drive, Suite 106
Richmond, VA 23226.

SEEN: (~~With objections noted as attached~~)


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*and objected to as set
forth in trial as to,
among other things,
the punitive damages are
inadequate, the court
should have awarded
prejudgment interest at
the rates requested,
the court should have
awarded post-judgment
interest at the higher rate
requested, the dissociation
date should have been the
date suit was filed or by
the date of company
dissociation; objections to
paragraphs 6, 7, 3 as
dismissed, 4 for misreading a
trust on the house, 9 as
inadequate and as
5 dismissed, 13 as dismissed,
14 as dismissed.*