

1 Scot Bernstein (SBN 94915)
 2 Law Offices of Scot D. Bernstein,
 A Professional Corporation
 3 10510 Superfortress Avenue, Suite C
 Mather Field, California 95655
 Telephone: 916-447-0100
 4 Fax: 916-933-5533

5 Steve A. Buchwalter (SBN 168501)
 Law Offices of Steve A. Buchwalter
 6 16133 Ventura Boulevard, Suite 560
 Encino, California 91436
 Telephone: 818-501-8987
 7 Fax: 818-501-0980

8 Attorneys for: Plaintiff

ORIGINAL FILED
 MAY 28 2009
 LOS ANGELES
 SUPERIOR COURT

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
 11 FOR THE COUNTY OF LOS ANGELES

13 PAUL THOMAS CHESTER,

14 Plaintiff,

15 vs.

17 FREEDOM COMMUNICATIONS
 INCORPORATED; iFREEDOM
 18 COMMUNICATIONS INTERNATIONAL
 LIMITED; iFREEDOM
 19 COMMUNICATIONS INTERNATIONAL
 HOLDINGS, LIMITED; TIMOTHY
 20 RINGGENBERG; FUSION
 21 TELECOMMUNICATIONS
 INTERNATIONAL, INC.; FUSION VOIP
 22 ACQUISITION CORP.; and DOES 1 through
 23 100, Inclusive,

24 Defendants

Case Number BC353567

~~PROPOSED~~
 JUDGMENT CONFIRMING
 FINAL ARBITRATION AWARD

DEPARTMENT: 74

27 Plaintiff's Petition to Confirm Contractual Arbitration Award came on regularly for
 28 hearing before this Court on May 19, 2009, and was granted. An Order on Petition to Confirm

JUDGMENT CONFIRMING FINAL ARBITRATION AWARD

1 Contractual Arbitration Award was issued by this Court on that date. Good cause appearing,

2 **IT IS HEREBY ORDERED THAT JUDGMENT SHALL BE ENTERED**, jointly
3 and severally, against

4 Timothy "Tim" Ringgenberg,

5 iFreedom Communications Incorporated, and

6 iFreedom Communications International Holdings, Limited,

7 in favor of Paul Thomas Chester,

8 in all amounts and on all terms specified below:

9
10 1. Damages and other sums as specified in the Final Arbitration Award in the amount of

11 **\$3,903,820,195.04** (three billion, nine hundred three million, eight hundred twenty
12 thousand, one hundred ninety-five U.S. Dollars and four cents); plus

13 2. Daily post-hearing, pre-award interest as provided in the Final Arbitration Award at
14 the rate of \$267,239.88 per day for the 192 days from July 1, 2008, through and including
15 the January 8, 2009, date of issuance of the Final Arbitration Award, for a total of

16 **\$51,310,056.96** (fifty-one million, three hundred ten thousand, fifty-six U.S. Dollars and
17 ninety-six cents); plus

18
19 3. Daily post-award interest as provided in the Final Arbitration Award on all sums set
20 forth above (which total \$3,955,130,252.00) from January 8, 2009, the date of the Final
21 Arbitration Award, through and including the date this Judgment is entered. At the rate
22 of ten percent per annum specified in the Final Arbitration Award, that post-award daily
23 interest has accrued in the amount of **\$1,083,597.33** per day (one million, eighty-three
24 thousand, five hundred ninety-seven U.S. Dollars and 33 cents per day), for a total of
25 **\$151,703,626.20** (one hundred fifty-one million, seven hundred three thousand, six
26 hundred twenty-six U.S. Dollars and twenty cents) for the 140 days through May 28,
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2009, and, if this Judgment is not entered on May 28, 2009, continues to accrue at the daily rate of \$1,083,597.33 per day for each day, if any, from and including May 29, 2009, through and including the date on which this Judgment is entered by the Court.

4. The total of the sums set forth in paragraphs 1 through 3 above, through May 28, 2009, is \$4,106,833,878.20 (four billion, one hundred six million, eight hundred thirty-three thousand, eight hundred seventy-eight U.S. Dollars and twenty cents). Interest shall accrue on this Judgment at the legal rate from the date it is entered until it is satisfied. At the current legal rate of ten percent per annum, applied to the May 28, 2009, sum of \$4,106,833,878.20, daily interest shall accrue in the amount of \$1,125,159.97 per day (one million, one hundred twenty-five thousand, one hundred fifty-nine U.S. Dollars and ninety-seven cents per day). That post-judgment daily interest shall be adjusted upward accordingly if this Judgment is signed after May 28, 2009.

5. The Final Arbitration Award attached hereto as Attachment "A" is incorporated herein in its entirety and made a part of this Judgment.

IT IS SO ORDERED.

DATED: MAY 28 2009

By: TERESA SANCHEZ-GORDON
The Honorable Teresa Sanchez-Gordon
Los Angeles County Superior Court Judge

ATTACHMENT "A"

ATTACHMENT "A"

1 Scot Bernstein (SBN 94915)
2 **LAW OFFICES OF SCOT BERNSTEIN**
3 10510 Superfortress Avenue, Suite C
4 Mather Field, California 95655
5 Telephone: 916-447-0100
6 Fax: 916-933-5533

7 Steve A. Buchwalter (SBN 168501)
8 **LAW OFFICES OF STEVE A. BUCHWALTER**
9 16133 Ventura Boulevard, Suite 560
10 Encino, California 91436
11 Telephone: 818-501-8987
12 Fax: 818-501-0980

13 Attorneys for: Plaintiff

14 **JAMS**

15 **PAUL THOMAS CHESTER,**

16 Plaintiff,

17 vs.

18 **iFREEDOM COMMUNICATIONS**
19 **INCORPORATED; iFREEDOM**
20 **COMMUNICATIONS INTERNATIONAL**
21 **LIMITED; iFREEDOM**
22 **COMMUNICATIONS INTERNATIONAL**
23 **HOLDINGS, LIMITED; TIMOTHY**
24 **RINGGENBERG; FUSION**
25 **TELECOMMUNICATIONS**
26 **INTERNATIONAL, INC.; FUSION VOIP**
27 **ACQUISITION CORP.; and DOES 1 through**
100, Inclusive,

Defendants

JAMS Case Number 1220036748

FINAL ARBITRATION AWARD

Arbitrator: Hon. William F. McDonald (Ret.)

Prove-Up Hearing Date: June 19, 2008

Prove-Up Hearing Time: 10:00 a.m.

1
2 This Final Arbitration Award arises from a prove-up hearing (the "hearing") held
3 at the offices of JAMS, in Los Angeles, California, on June 19, 2008, at 10:00 a.m.

4 Plaintiff Paul Thomas Chester appeared at the hearing, represented by his legal
5 counsel, Scot Bernstein, of the Law Offices of Scot Bernstein, Mather Field, California,
6 and Steve A. Buchwalter, of the Law Offices of Steve A. Buchwalter, Encino, California.

7 Defendants Timothy "Tim" Ringgenberg ("Ringgenberg"), iFreedom
8 Communications Incorporated ("IFI") and iFreedom Communications International
9 Holdings, Limited ("Holdings"), did not appear. Ringgenberg, IFI and Holdings, all of
10 which may be referred to collectively as "Defendants," have been represented in this
11 arbitration by Ringgenberg continuously beginning in December 2007, when
12 Ringgenberg substituted in as the representative of all Defendants and Defendants'
13 former counsel, the Quintana Law Group, substituted out. JAMS provided all parties
14 with notice of the date, time and location of the hearing. That notice was sent to the
15 Plaintiff's representatives, Scot Bernstein and Steve A. Buchwalter, by fax and U.S. mail.
16 The same notice was sent by fax and certified mail to Ringgenberg at the fax number and
17 the three addresses JAMS had on file for him. The Defendants received that notice, as
18 evidenced by Ringgenberg's letter dated June 18, 2008, which was faxed to and received
19 by JAMS on June 19, 2008. Ringgenberg's letter announced Ringgenberg's and the
20 Defendants' intention not to appear at the hearing. Thus, the hearing went forward in the
21 Defendants' absence.

22 The complaint in this matter is incorporated by reference. Plaintiff testified that
23 all material allegations of the complaint were true and correct. Based upon the
24

1 documents presented at the hearing, the sworn testimony of Plaintiff, and the admissions
2 of Defendants, including Defendants' deemed admissions, the Arbitrator finds and
3 awards as follows.

4 **Liability**

5 The Arbitrator finds in favor of Plaintiff on all theories of liability, including the
6 following:

7 Breach of contract

8 Breach of the implied covenant of good faith and fair dealing

9 Conversion

10 Failure to pay wages pursuant to California Labor Code § 201

11 Failure to pay wages upon discharge -- waiting time penalties pursuant to Labor
12 Code § 203 and other penalties

13 Failure to compensate for all hours worked pursuant to Labor Code §§ 510, 1194
14 and 1194.2 and IWC Wage Order #4

15 Failure to pay overtime and minimum wage compensation under federal law

16 Violation of California Business and Professions Code § 17200

17 **Additional Findings**

18 1. The Arbitrator specifically considered the issue of jurisdiction over Defendants

19 iFreedom Communications Incorporated, iFreedom Communications International

20 Holdings, Limited, and Timothy Ringgenberg, and determined that he has

21 jurisdiction over those Defendants.

22 2. The Arbitrator determined that Defendants iFreedom Communications Incorporated,

23 iFreedom Communications International Holdings, Limited, and Timothy

24 Ringgenberg moved to compel this arbitration, negotiated and entered into a

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- 1 stipulation to arbitrate, participated in the arbitrator selection process, filed answers,
2 participated in motion practice, and otherwise participated in this arbitration
3 proceeding.
- 4 3. The Arbitrator determined that Defendants iFreedom Communications Incorporated,
5 iFreedom Communications International Holdings, Limited, and Timothy
6 Ringgenberg received notice of this hearing, participated in a conference call
7 regarding this hearing, and did not request that it be postponed,
8
- 9 4. The Arbitrator determined that Defendants iFreedom Communications Incorporated,
10 iFreedom Communications International Holdings, Limited, and Timothy
11 Ringgenberg, through their representative, Timothy Ringgenberg, were invited to
12 provide a certified shorthand reporter to record the proceedings at the June 19, 2008,
13 prove-up hearing, and that they expressly declined to do so.
14
- 15 5. The Arbitrator has determined that Defendants iFreedom Communications
16 Incorporated, iFreedom Communications International Holdings, Limited, and
17 Timothy Ringgenberg, and each of them, obtained services and property from
18 Plaintiff by means of false pretenses, false representations, and actual fraud regarding
19 matters other than those Defendants' and those Defendants' insiders' own financial
20 condition. The amount of money that those Defendants obtained from Plaintiff in
21 that manner is equal to the full amount of this award.
22
- 23 6. The Arbitrator has determined that Plaintiff has shown by clear and convincing
24 evidence that Defendants iFreedom Communications Incorporated, iFreedom
25 Communications International Holdings, Limited, and Timothy Ringgenberg, and
26 each of them, engaged in a pattern of despicable conduct that constitutes oppression,
27

1 fraud and malice within the meaning of section 3294 of the California Civil Code, so
2 as to justify an award of exemplary and punitive damages in the amounts set forth
3 below.

4 7. The Arbitrator finds that Plaintiff is entitled to an award of attorneys' fees and costs
5 under applicable California and federal law and hereby awards Plaintiff attorneys'
6 fees and costs in the amounts set forth below.

7
8 8. The Arbitrator has determined that an earlier award of sanctions in the amount of
9 \$1,210.00 against Defendants iFreedom Communications Incorporated, iFreedom
10 Communications International Holdings, Limited, and Timothy Ringgenberg shall be
11 added into and included in this award.

12 9. Pursuant to the Stipulation for Arbitration, all arbitration fees and other fees and
13 costs of JAMS and the Arbitrator are assessed jointly and severally against
14 Defendants iFreedom Communications Incorporated, iFreedom Communications
15 International Holdings, Limited, and Timothy Ringgenberg. Those Defendants shall
16 reimburse Plaintiff for fees of JAMS and the Arbitrator in the amount of \$ 5,532.45,
17 which sum shall be added into and included in this award.

18
19 10. All damages and other amounts awarded herein (including, without limitation,
20 compensatory damages, interest, penalties, exemplary and punitive damages,
21 attorneys' fees and costs) are awarded jointly and severally against Defendants
22 iFreedom Communications Incorporated, iFreedom Communications International
23 Holdings, Limited, and Timothy Ringgenberg.

24
25 11. The Arbitrator has determined that all amounts that Defendants should have paid to
26 Plaintiff but did not, i.e., all compensatory damages, are awarded to Plaintiff for and
27

1 as a result of fraud and defalcation by Defendants iFreedom Communications
 2 Incorporated, iFreedom Communications International Holdings, Limited, and
 3 Timothy Ringgenberg, and each of them, while those Defendants, and each of them,
 4 were acting in a fiduciary capacity with respect to Plaintiff.

5 **Damages and Other Sums Awarded**

6 The Arbitrator awards the following damages and other sums to Plaintiff:

7 **A. Unpaid Salary**

8 Defendants are liable to Plaintiff for unpaid salary in the sum of \$323,500.00,
 9 computed as follows:

10 Calculation of unpaid salary:

11	\$ 7,000/month underpayment for June 2005 – August 15, 2005:	\$ 17,500.00
12	\$12,000/month underpayment for August 16, 2005 – September 30, 2005:	\$ 18,000.00
13	<u>\$12,000/month for October 2005 – September 2007 (term w/o cause):</u>	<u>\$288,000.00</u>
14	Total Unpaid Salary	\$323,500.00

15 **A.1. Interest on Unpaid Salary**

16 Defendants are liable to Plaintiff for interest on the unpaid salary up through and
 17 including June 30, 2008. in the sum of \$61,335.60, together with daily interest after that
 18 date in the sum of \$88.63/day, computed as follows:

19 **a. Interest through June 30, 2008.** The average date of underpayment/nonpayment of
 20 salary is halfway between June 15, 2005 and September 30, 2007, or approximately
 21 August 8, 2006. The time elapsed from August 8, 2006 to June 30, 2008, is
 22 approximately 1 year, 10-3/4 months or approximately 1.896 years.

23
$$\text{Interest} = \$323,500.00 \times 10\%/\text{year} \times 1.896 \text{ years} = \quad \quad \quad \$ 61,335.60$$

24 **b. Daily Interest after June 30, 2008.**

25
$$\text{Post-063008 Daily Interest} = \$323,500.00 \times 10\%/\text{year} \times 1 \text{ year}/365 \text{ days} = \$ 88.63/\text{day}$$

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B. Commission Structure

The employment contract provides that Defendants are to pay Plaintiff a commission structure of five percent of gross sales on an ongoing basis, and that Plaintiff's right to those payments survives any termination without cause initiated by the Defendants. The Arbitrator finds that Defendants have refused to pay Plaintiff that component of his compensation; that they have breached the employment contract in that respect; and that Plaintiff is entitled to immediate payment of the portion of that ongoing obligation that already is owed. The Arbitrator further finds that Plaintiff was not terminated for cause and therefore is entitled to payment of that commission structure on a going-forward basis.

Paragraph 7.1 of the employment contract provides that, in the event of a termination without cause by the employer, Plaintiff is entitled to receive the override commission on an ongoing and permanent basis. Thus, Plaintiff requested a sum calculated as the discounted present value of that stream of payments in perpetuity. Plaintiff's request is in that respect denied. Instead, the Arbitrator awards all sums owed through the date of Plaintiff's termination together with the present value of 84 months of payments following termination.

Discussion and Calculations of Damages

Determination of the amount owed for each month requires a determination and projection of gross sales. Defendants made this determination difficult by concealing their gross sales data during discovery, even after having been ordered to produce that

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1 data. Thus, Plaintiff is entitled to an adverse inference, and we must use those few data
2 points that are available.

3 One such data point is provided by Defendants' July 24, 2005, letter addressed to
4 "Dear Fellow Shareholders" and signed by Ringgenberg. That letter states as follows:

5 On a positive note, I am pleased to report that our company had a benchmark
6 month in June with revenue reaching US\$535,000. This is a record month for us
7 and the trends continue to move in the right direction.

8 If Defendants had credible accounting books and records to support a contention
9 that the June 2005 gross revenue figure was different than they represented to their
10 shareholders, they should have produced them. They did not. Thus, the \$535,000 figure
11 will form the basis for damage calculations with regard to Plaintiff's override
12 commissions.

13 Additional data points that are available include Defendants' admissions that
14 growth rates of 20% per month were achieved during the third through eighth months
15 following the beginning of Plaintiff's employment, and that growth rates of 10% per
16 month were achieved during the ninth through fourteenth months following the beginning
17 of Plaintiff's employment. Thus, we use those growth rates to calculate the override
18 commissions owed, as those are the only figures available. Further, giving the
19 Defendants the benefit of the doubt, we utilize the lower of the two growth rates, 10% per
20 month, as the rate applicable to the period from the fifteenth month following the
21 beginning of Plaintiff's employment through the eighty-fourth month following his
22 termination.
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24

25 Utilizing the data points above, an Excel spreadsheet was utilized to perform a
26 calculation of (1) the commissions owed and to be owed, (2) simple interest at the rate of
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1 ten percent per annum on commissions owed for June 2004 through June 2008, and (3)
 2 the present value of commissions to be owed for the period from July 2008 through
 3 September 2012 (the eighty-fourth month), discounted at the rate of five percent per
 4 annum. Based upon those calculations, the following amounts are awarded to Plaintiff,
 5 jointly and severally against all Defendants:

6	Commissions Owed, June 2004 – June 2008	\$	8,986,346.83
7			
8	Interest on Commissions Owed, June 2004 – June 2008	\$	708,361.99
9			
10	Present Value of Commissions to be Owed, July 2008 – September 2012	\$	964,342,168.59

11 **B.1. Interest on Unpaid Commission Structure**

12 a. **Interest.** Interest through June 30, 2008, is as set forth above.

13 b. **Daily Interest** = Total of commissions owed and present value of commissions to be
 owed x 10%/year x 1 year/365 days =

14 Post-063008 Daily Interest = (\$ 8,986,346.83 + \$ 964,342,168.59) x 10%/year
 15 x 1 year/365 days = \$ 266,665.35/day

16 **C. Shares of Stock**

17 The employment contract provides that, upon execution of that contract,
 18

19 Defendants were to provide 1.1 million shares of common stock of iFreedom

20 Communications International Limited (“International”) to Plaintiff. Defendants

21 breached the employment contract by failing to provide those shares of International.

22 More recently, Defendants provided Plaintiff with 1.1 million shares of Holdings, a Hong

23 Kong corporation that Plaintiff is informed and believes and on that ground alleges to be

24 a successor in interest to International. Despite Plaintiff’s requests, Defendants gave

25 Plaintiff no way to determine the relative valuations of the shares he actually received

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1 compared with the shares the employment contract entitled him to receive; nor did
2 Defendants explain the reason for the creation of Holdings as a successor entity.

3 The employment contract provides that Defendants were to issue an additional
4 600,000 shares of common stock of International to Plaintiff in two stages provided
5 certain conditions were met. As a first stage, Defendants were required to provide
6 Plaintiff with an additional 300,000 shares of common stock of International upon
7 achievement of a six-month period with consistent sales growth averaging 20% per
8 month. That six-month period was to begin 60 days after the date of the employment
9 contract.
10

11 The Arbitrator finds that the required growth objective was achieved; that
12 Plaintiff requested that the additional shares be provided in accordance with the
13 employment contract; and that Defendants further breached that contract by failing and
14 refusing to provide the required 300,000 shares to Plaintiff.
15

16 As a second stage, the employment contract provides that Defendants were to
17 provide Plaintiff with a further 300,000 shares of common stock of International upon
18 achievement of a follow-on six-month period with consistent sales growth averaging 10%
19 per month. The Arbitrator finds that this further required growth objective was achieved
20 as well; that Plaintiff requested that the additional shares be provided in accordance with
21 the employment contract; and that Defendants further breached the employment contract
22 by failing and refusing to provide the required additional 300,000 shares to Plaintiff,
23 despite Plaintiff's requests for those shares.
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1 **Discussion and Calculations of Damages**

2 Defendants never provided Plaintiff with the 1,700,000 shares of International to
3 which he was entitled. But they are deemed to have admitted that those shares were
4 worth no less than \$1.00 per share. See Plaintiff's Requests for Admissions, RFA
5 number 16; and the Order on Plaintiff's Motion to Vacate Plaintiff's Discovery
6 Deadlines, Motion to Compel Discovery Responses and Request for Sanctions dated
7 February 15, 2008. Therefore, Defendants owe Plaintiff not less than \$1,700,000 as
8 damages for that breach:
9

10 Damages for failure to issue shares = \$ 1,700,000.00

11 **C.I. Interest on Value of Undelivered Stock**

12 a. **Interest on Initial 1,100,000 Shares.** The initial 1,100,000 shares were due upon the
13 signing of the employment contract on June 18, 2004. Employment contract paragraph
14 6.4. Thus, as of June 30, 2008, the \$1,100,000.00 in damages arising from the failure to
15 issue those shares will have been owed for 4.033 years. Therefore,
16

17 Interest = \$1,100,000.00 x 10%/year x 4.033 years = \$ 443,630.00

18 b. **Interest on Additional 300,000 Shares.** The next 300,000 shares were due on
19 February 18, 2005, eight months after the commencement of employment. Employment
20 contract paragraph 6.6. Thus, as of June 30, 2008, the \$300,000.00 in damages arising
21 from the failure to issue those shares will have been owed for 3.366 years. Therefore,
22

23 Interest = \$300,000.00 x 10%/year x 3.366 years = \$ 100,980.00

24 c. **Interest on Final 300,000 Shares.** The final 300,000 shares were due on August 18,
25 2005, fourteen months after the commencement of employment. Employment contract
26
27

1 paragraphs 6.6 and 6.7. Thus, as of June 30, 2008, the \$300,000.00 in damages arising
 2 from the failure to issue those shares will have been owed for 2.866 years. Therefore,
 3 Interest = \$300,000.00 x 10%/year x 2.866 years = \$ 85,980.00
 4 d. Daily Interest = \$ 1,700,000.00 x 10%/year x 1 year/365 days. Therefore,
 5 Post-063008 Daily Interest = \$1,700,000.00/3650 = \$ 465.75/day

7 **D. Section 2802 Reimbursement / Indemnification**

8 The employment contract requires Defendants to reimburse Plaintiff for his
 9 various expenses incurred in performing his duties on Defendants' behalf, including but
 10 not limited to reimbursement for the costs of lodging and transportation on trips to
 11 metropolitan Manila. The Arbitrator finds that Plaintiff requested that reimbursement
 12 repeatedly, but Defendants breached the employment contract by failing to provide the
 13 required reimbursement of Plaintiff's expenses, which total approximately \$3,542.67.
 14 The employment contract further provides that, in the event of termination of Plaintiff
 15 without cause, he shall be entitled to 100% of any ongoing cost of lodging and
 16 transportation in Manila, up to a maximum of \$1,000 per month, for a period up to one
 17 year after termination. The Arbitrator finds that none of that additional reimbursement
 18 has been paid by Defendants.

21 Discussion and Calculations of Damages

22 Defendant owes \$3,542.67 in expense reimbursements to Plaintiff. Additionally,
 23 Plaintiff testified to his conservative estimate that he incurred \$10,000.00 of ongoing
 24 costs of lodging and transportation in Manila during the first year after his termination,
 25 and the Arbitrator finds that estimate reasonable given Defendants' admissions and the
 26 absence of testimony or documents to the contrary. Thus, the Arbitrator finds that,
 27

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1 pursuant to California Labor Code section 2802, Plaintiff is entitled to reimbursement of
 2 those expenses, totaling \$13,542.67, together with interest and attorneys' fees.

3 Damages for failure to reimburse expenses = \$ 13,542.67

4 **D.I. Interest on Unreimbursed Expenses**

5 a. Interest on \$3,542.67. The \$3,542.67 was owed no later than September 30, 2005,
 6 the end of Plaintiff's employment, 2.75 years prior to June 30, 2008. Therefore,

7 Interest = \$ 3,542.67 x 10%/year x 2.75 years = \$ 974.23

8 b. Interest on \$10,000.00. The average date of nonpayment of the post-termination
 9 reimbursements of expenses of lodging and transportation in Manila is the mid-point of
 10 the one-year period following the termination of Plaintiff's employment, *i.e.*, March 31,
 11 2006. That is 2.25 years prior to June 30, 2008. Therefore,

12 Interest = \$ 10,000.00 x 10%/year x 2.25 years = \$ 2,250.00

13 c. Daily Interest = \$ 13,542.67 x 10%/year x 1 year/365 days. Therefore,

14 Post-063008 Daily Interest = \$13,542.67/3650 = \$ 3.71/day

15
 16
 17 **E. Return of Plaintiff's Property**

18 The employment contract requires that all confidential information and materials
 19 provided to Defendants by Plaintiff be returned to Plaintiff. The Arbitrator finds that
 20 Plaintiff demanded orally and in writing that Defendants cease and desist from directly or
 21 indirectly utilizing, storing or distributing any of Plaintiff's materials including, without
 22 limitation, all power-point presentations, all Excel spreadsheet income models for the
 23 distribution force, all brochures, films, recordings, films from meeting presentations,
 24 training materials, copies of those materials that were distributed throughout the world,
 25 wording such as Progressive Compensation, charts created to show the residual
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1 compensation under Progressive Compensation, ideas, and partial wording of those
 2 slogans utilized today that were derived from Plaintiff's materials. Additionally, the
 3 Arbitrator finds that Plaintiff demanded orally and in writing that Defendants announce to
 4 all of their distributors and employees worldwide that they are to cease using all such
 5 materials and to return them to Plaintiff immediately. The Arbitrator therefore finds that
 6 Defendants have further breached the employment contract by failing and refusing to
 7 comply with Plaintiff's demands as described in this paragraph.
 8

9 Discussion and Calculations of Damages

10 The Arbitrator finds that Defendants were obligated to return all of Plaintiff's
 11 property to him upon termination, *i.e.*, on September 30, 2005. Plaintiff testified to his
 12 conservative estimate that his property was worth \$60,000.00 at that time, and the
 13 Arbitrator finds that estimate reasonable given Defendants' admissions and the absence
 14 of testimony or documents to the contrary. The Arbitrator therefore finds that Defendants
 15 owe Plaintiff not less than \$60,000.00 as damages for their failure or refusal to return his
 16 property.
 17

18 Damages for failure to return property = \$ 60,000.00

19 **E.1. Interest on Damages for Failure to Return Property**

20 a. Interest on \$ 60,000.00. The \$ 60,000.00 was owed no later than September 30,
 21 2005, the end of Plaintiff's employment, 2.75 years prior to June 30, 2008. Therefore,

22 Interest = \$ 60,000.00 x 10%/year x 2.75 years = \$ 16,500.00

24 b. Daily Interest = \$ 60,000.00 x 10%/year x 1 year/365 days. Therefore,

25 Post-063008 Daily Interest = \$ 60,000.00/3650 = \$ 16.44/day

1 **F. Labor Code Section 203 Waiting Penalty**

2 The Arbitrator finds that Defendants terminated Plaintiff's employment on
3 September 29, 2005; that Plaintiff had accrued, unpaid wages owed to him in the amounts
4 set forth above at that time, including all salary that should have been paid but was not,
5 and all unpaid commissions in amounts equal to five percent of gross sales on an ongoing
6 basis; and that the failure by Defendants, and each of them, to pay those wages and
7 commissions to Plaintiff has continued to the present time.
8

9 The Arbitrator further finds that the failure of Defendants, and each of them, to
10 pay Plaintiff earned wages as alleged in the complaint was willful in that Plaintiff
11 repeatedly made both oral and written demands for payment of his earned wages while he
12 was employed by Defendant, after the date of his termination by Defendant, and
13 continuing up to the date of the filing of the lawsuit. The Arbitrator therefore finds that
14 Plaintiff is entitled to "waiting penalties" under Labor Code Section 203, which provides
15 that an employee's wages shall continue day by day, including weekends, until paid, up to
16 a maximum penalty of thirty days' pay. Because more than thirty days have elapsed
17 since he was terminated, Plaintiff is entitled to a penalty of thirty (30) days' wages
18 pursuant to Labor Code Section 203.
19

20 **Discussion and Calculations of Penalties**

21 Plaintiff's final rate of pay was as follows:

22	Salary = \$144,000.00/year x 1 year/52 weeks =	\$ 2,769.23/week
23	Commission = \$321,000.00/year x 1 year/52 weeks =	\$ 6,173.08/week
24	Total	\$ 8,942.31/week
25	Waiting Penalty = 30 days' pay = 6 weeks x \$ 8,942.31/week =	\$ 53,653.86

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G. Labor Code Section 226 Penalty

1 Plaintiff was employed from June 18, 2004, through September 29, 2005, a total
 2 of 15-1/2 months or 31 pay periods. California Labor Code section 226(a) requires that
 3 the employer provide a written, itemized statement ("pay stub") accompanying a
 4 paycheck and setting forth, among other things, the employee's gross wages and net
 5 wages for the pay period. Labor Code section 200 provides that "wages" include not
 6 only salary but commissions as well. The Arbitrator finds that the figures on Plaintiff's
 7 pay stubs did not include the commissions owed to him and therefore failed to provide
 8 accurate figures for gross wages and net wages in violation of Labor Code section 226(a).
 9 The Arbitrator finds that Defendants' violations of Labor Code section 226 were knowing
 10 and intentional and that the penalties provided by Section 226(e) of the Labor Code are
 11 owed to Plaintiff.

Discussion and Calculations of Penalties

12 Labor Code section 226(e) provides that an employee who receives pay stubs that
 13 violate section 226(a) is entitled to \$50.00 for the first violation and \$100.00 for each
 14 subsequent violation, up to a maximum of \$4,000.00.

15 Defendants' violation of Labor Code section 226(a) in each of 31 pay periods
 16 entitles Plaintiff to Labor Code section 226 penalties computed as follows:

17 Section 226 Penalty = 1 pay stub x \$50.00/pay stub
 18 + 30 pay stubs x \$100.00/pay stub = \$ 3,050.00

H. Punitive Damages

19 The Arbitrator finds that conduct of each of the Defendants, including
 20 Defendants' conversion of monetary sums and property belonging to Plaintiff and

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1 Defendants' obtaining work and services from Plaintiff without paying him, was willful,
2 wanton, malicious, and oppressive, and was despicable conduct that subjected Plaintiff to
3 a cruel and unjust hardship in conscious disregard of Plaintiff's rights, and that that
4 conduct was engaged in by managerial employees of Defendants, so as to justify an
5 award of exemplary and punitive damages in an amount appropriate to punish and make
6 an example of Defendants. The Arbitrator further notes that, notwithstanding the fact
7 that they were requested and ordered to provide accounting books and records that would
8 have lent insight into their true financial condition, Defendants refused to provide those
9 books and records.

11 By virtue of Defendants' admissions and the other evidence in this case, Plaintiff
12 has established by clear and convincing evidence that Defendants, and each of them,
13 engaged in a pattern of despicable conduct that constitutes oppression, fraud and malice
14 within the meaning of section 3294 of the California Civil Code, so as to justify an award
15 of exemplary and punitive damages. The Arbitrator therefore awards punitive and
16 exemplary damages to Plaintiff, as a joint and several obligation of Defendants, in an
17 amount equal to three times the damages awarded above, other than those amounts
18 awarded for interest, penalties and attorneys' fees and costs. Therefore,

20 Punitive Damages = 3 x \$ 975,425,558.09 = \$ 2,926,276,674.27

21 I. Attorneys' Fees and Costs

22 Plaintiff is the prevailing party in this matter and therefore is entitled to attorneys'
23 fees pursuant to Labor Code §§ 218.5, 226, 1194 and 2802, as well as 29 U.S.C. §216.

25 The Arbitrator has reviewed the lodestar calculations for Plaintiff's attorneys as
26 provided in the declarations of Scot Bernstein and Steve A. Buchwalter, which were

27

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1 submitted at the hearing. The Arbitrator finds Scot Bernstein's billing rate of \$550.00 per
2 hour to be reasonable, and finds Steve A. Buchwalter's billing rate of \$300.00 per hour to
3 be reasonable. The Arbitrator further finds that the 325.0 hours expended on this case by
4 Mr. Bernstein through June 18, 2008, and the 108.0 hours expended on this case by Mr.
5 Buchwalter, to be reasonable. Thus, the Arbitrator has determined that the lodestar
6 amounts of \$178,750.00 for Mr. Bernstein and \$32,400.00 for Mr. Buchwalter are
7 reasonable, as are the \$1,054.55 in cost advances by Mr. Bernstein.
8

9 The Arbitrator recognizes that merely paying the lodestar amount will not fully
10 compensate Plaintiff's counsel for their work.

11 "It has long been recognized, however, that the contingent and deferred nature of
12 the fee award in civil rights or other cases with statutory attorney fees requires
13 that the fee be adjusted in some manner to reflect the fact that the fair market
14 value of the legal services provided on that basis is greater than the equivalent
15 noncontingent hourly rate."

16 Horsford v. Board of Trustees (2005) 132 Cal.App.4th 359.

17 "A lawyer who both bears the risk of not being paid and provides legal services is
18 not receiving the fair market value of his work if he is paid only for the second of
19 these functions. If he is paid no more, competent counsel will be reluctant to
20 accept fee award cases."

21 Ketchum at 1133, quoting with approval from Leubsdorf, the Contingency Factor
22 in Attorney Fee Awards (1981) 90 Yale L.J. 473, 480.

23 "The purpose of a fee enhancement, or so-called multiplier, for contingent risk is
24 to bring the financial incentives for attorneys enforcing important constitutional
25 rights, such as those protected under the anti-SLAPP provision, into line with
26 incentives they have to undertake claims for which they are paid on a fee-for-
27 services basis."

Ketchum at 1132.

The right of employees to their pay is a matter of the fundamental public policy of
the State of California and is worthy of the same kind of protection.

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1 In determining the appropriate multiplier to award in this case, the Arbitrator has
 2 considered the contingent nature of the fee award; the novelty and complexity of the
 3 litigation; the undesirability of the case; counsel's skill in preparing and presenting the
 4 case; and the results obtained. Based upon those factors, the Arbitrator has determined
 5 that a multiplier of 3.0 shall be applied to the fees of Plaintiffs' attorneys in this case.

6 Therefore,

7
 8 Attorneys' Fees = 3.0 x (\$178,750.00 + \$32,400.00) = \$ 633,450.00

9
 10 Summary of Award

11 Plaintiff is awarded, and Defendants iFreedom Communications Incorporated, iFreedom
 12 Communications International Holdings, Limited, and Timothy Ringgenberg, jointly and
 13 severally, shall pay to Plaintiff the following sums:

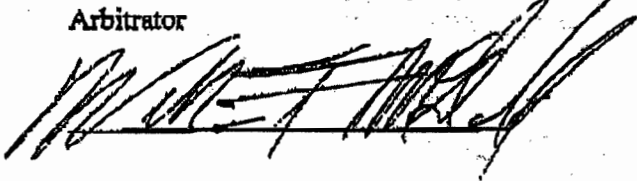
14	Compensatory Damages (A + B + C + D + E)	\$ <u>975,425,558.09</u>
15	Interest on Compensatory Damages	\$ <u>1,420,011.82</u>
16	(A.1.a. + B.1.a. + C.1.a., b. & c. + D.1.a. & b. + E.1.a.)	
17	Labor Code Section 203 Waiting Penalties (F)	\$ <u>53,653.86</u>
18	Labor Code Section 226 Penalties (G)	\$ <u>3,050.00</u>
19	Punitive Damages (H)	\$ <u>2,926,276,674.27</u>
20	Attorneys' Fees (I)	\$ <u>633,450.00</u>
21	Attorneys' Costs (I)	\$ <u>1,054.55</u>
22	Sanctions Previously Awarded (Paragraph 8, above)	\$ <u>1,210.00</u>
23	JAMS Fees Paid by Plaintiff (Paragraph 9, above)	\$ <u>5,532.45</u>
24	Post-June 30, 2008,	
25	Daily Interest (A.1.b. + B.1.b. + C.1.d. + D.1.c. + E.1.b.)	\$ <u>267,239.88</u>
26		
27		

1 Simple interest shall accrue on all amounts set forth above at the rate of ten
2 percent (10%) per annum commencing on the date of service of this award.

3 Defendants had twenty calendar days following the date of service of the Interim
4 Arbitration Award herein to file and serve Plaintiff with any objections to the Interim
5 Arbitration Award. They did not do so. Accordingly, this Award is final.

6
7 Dated: 1/8/09
8

Hon. William F. McDonald (Ret.)
Arbitrator



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