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WEEKLY

Bank agrees to pay \$5.5M to bankrupt stonecutter

Email 'pivotal' to case, plaintiffs' attorney says

First Community Bank leader Jack Fields described Tim Crede as creative, artistic and competent. He liked Crede and his stonecutting business, which Crede started in the 1970s with a wheelbarrow and a shovel.

In 2007, First Community took on Crede's company, Oak Grove-based Missouri Ledge, as a customer. The next year, the bank declined to loan Crede the money he needed to finish a move and expansion of Missouri Ledge. Crede visited Fields several times after the bank turned him down. Fields, the bank's chief executive, added passionate, vocal and hard-headed to his list of adjectives for the stonecutter who served high-end clients.

Crede and his wife, Deborah, co-owner of Missouri Ledge, sued the bank, Fields and Higginsville Branch Manager Don Knehans in 2009, claiming the bankers misrepresented their intentions. In the name of their company, the Credes filed for bankruptcy in 2010.

The bank and executives last month agreed to settle the lawsuit for \$5.5 million, an amount that will keep Missouri Ledge running and allow it to finish its expansion and move to buildings in Lexington, said Crede's attorney, John M. Edgar, of the Edgar Law Firm in Kansas City.

The settlement includes \$5.2 million in cash and \$300,000 in loan forgiveness, Edgar said. It doesn't otherwise specify how much each of the defendants will pay.

"My clients rejected the plaintiffs' allegations and believed that all commitments made to them were honored," defense attorney Kent Sullivan said, reading a prepared statement. "However, in consultation with their insurance company, my clients concluded that their interests were best-served by settling this matter to avoid the expense and risk of contin-

ued litigation."

Sullivan, of Stinson Morrison Hecker's Kansas City office, declined further comment. Through an assistant, the two executives' attorney, J.D. Baker, referred questions to Sullivan. Baker is an attorney with the Baker Law Firm in Osceola.

The bank's relationship with Missouri Ledge got its start when Fields and Knehans visited the company in October 2007 and discussed taking over real estate loans held by B & L Bank, which had told Crede that it wouldn't be able to provide financing for expansion of the business.

"Jack Fields told [Crede] we want all your business ... we'll be there for you to grow," Edgar said.

In a December deposition, Fields said he "may have" told Crede he was interested in financing his company's growth.

The day after the visit, Fields sent an email to Knehans saying he should tell Crede to find a potential backup for his real estate loan, although Fields liked Crede and Knehans liked Crede's numbers.

"I don't think the land and buildings will appraise for 20% higher than \$554,000 or

\$700,000," Fields wrote. "We do not want the equipment.

"Sorry if we can't see the value of rocks and rock equipment. He is a good man!"

Edgar called the email "pivotal" to the case.

"For Tim Crede — stone is his life; machines are his life," Edgar said. "Had he known that, he wouldn't have had anything to do with it."

Shortly after the email was sent, Crede spotted a Kerr Orchards complex for sale while driving near Lexington. The facility was "the size of four football fields," big enough for Crede to put all his equipment inside, which would end the production delays Crede faced due to weather at the Oak Grove facility, where much of his equipment is outside, Edgar said.

The Credes calculated how much money the business would need to move at about \$850,000 and went to the bank, which gave them the go-ahead, Edgar said. The bank started loaning money, and Tim Crede started disassembling his machines, which require cement footings and water service for slurry systems to operate. But after lending about \$250,000,

the bank declined to loan any more money. About 80 percent of Crede's machines were "on the floor" in Lexington, with no footings or water service, when the money stopped, Edgar said.

Knehans said in a December deposition that Crede said he would pay for the setup of the Lexington property by selling the Oak Grove property, and that the bank would fund only "the initial needs" for the move. When the Oak Grove property didn't sell before the move, Knehans said he thought Crede would leave as much as he could at Oak Grove so he'd still have income.

In late spring 2008, Knehans told Crede it would be difficult for the bank to finance more of the move.

The move hadn't come up at the time Fields wrote his memo to Knehans, Edgar said. But if the bankers had told Crede what they said in the memo, he wouldn't have tried to move, Edgar said.

"The man never would have torn down the machines and changed his bank," Edgar said. "He would sit there and continue to operate."

— Heather Cole

■ \$5.5 million settlement

FRAUD/NEGLIGENT MISREPRESENTATION

■ **Court:** Jackson County Circuit Court at Independence

■ **Case Number/Date:** 0916-CV29993/April 21, 2011

■ **Judge:** Michael Manners

■ **Plaintiffs' Expert:** John Korschott, Kansas City (accounting, economic damages)

■ **Insurer:** Zurich American

■ **Special damages:** \$300,000 in loan forgiveness

■ **Caption:** Tim J. Crede d/b/a Missouri Ledge and Deborah Crede d/b/a Missouri Ledge v. First Community Bank, Jack T. Fields and Don Knehans

■ **Plaintiffs' Attorneys:** John M. Edgar, David W. Edgar and Anthony E. LaCroix, Edgar Law Firm, Kansas City

■ **Defendants' Attorneys:** Kent Sullivan, Stinson Morrison Hecker, Kansas City; J.D. Baker, Baker Law Firm, Osceola; Jeffery L. Dull, Dull & Lowe, Clinton