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Superior Court of California,
County of Los Angeles
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David W. Slayton,
Executive Officer/Clerk of Court,
By M. Gonzalez, Deputy Clerk

6 Attorneys for Defendant and Cross-Complainant,
7 THE WELK GROUP, INC.

8 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
9 **COUNTY OF LOS ANGELES**

10
11
12 LAWRENCE WELK, JR.

13 Plaintiff,

14 v.

15 THE WELK GROUP, INC., JONATHAN
16 FREDRICKS, KEVIN WELK, STEPHEN
BARON, and DOES 1-10,

17 Defendants.

18
19 THE WELK GROUP, INC.,

20 Cross-Complainant,

21 v.

22 LAWRENCE WELK, JR.

23 Cross-Defendant
24
25
26
27
28

Case No. 24STCV03045

**THE WELK GROUP, INC.'S CROSS-
COMPLAINT FOR:**

1. BREACH OF WRITTEN CONTRACT
2. CONVERSION
3. BREACH OF FIDUCIARY DUTY AND DUTY OF LOYALTY
4. NEGLIGENT MISREPRESENTATION
5. INTENTIONAL MISREPRESENTATION (FRAUD)

Judge: Hon. Theresa M. Traber
Dept.: 47

Action Filed: February 6, 2024
Trial Date: None Set

1 Defendant and Cross-Complainant THE WELK GROUP, INC. (“TWGI” or “Cross-
2 Complainant”) brings this cross-complaint against Plaintiff and Cross-Defendant LAWRENCE
3 WELK, JR. (“Larry Welk” or “Plaintiff”) for breach of contract, conversion, breach of fiduciary
4 duty and duty of loyalty, negligent misrepresentation, and intentional misrepresentation, and in
5 support thereof avers as follows:

6 **NATURE OF THE ACTION**

7 1. TWGI is a small, family owned and operated business. TWGI traces its beginnings
8 to 1955, when bandleader Lawrence Welk started a company called Teleklew Productions, Inc.
9 (whose name combined part of the word “television” with his own name spelled backwards) to
10 produce his ABC television program and manage his business affairs. With Lawrence Welk at the
11 helm, TWGI evolved into a diverse organization that included real estate, music, television, and
12 other interests. The bandleader would serve as its chairman and president from 1955 until 1980,
13 when his son, Plaintiff Larry Welk, took over.

14 2. Plaintiff was TWGI’s CEO and Chairman from 1980 until November 2022. TWGI’s
15 operations have substantially changed and been minimized in the 40+ years since Plaintiff took over.
16 Under Plaintiff’s tenure as CEO, the hospitality assets, and a majority of the music assets of TWGI
17 and its affiliates were sold or spun-off and then sold, and a property manager and asset manager
18 were contracted to manage the three remaining real estate assets.

19 3. In or about October 2022, TWGI’s Board of Directors (“Board”) discovered a
20 misappropriation of TWGI’s assets by Plaintiff for his own personal benefit. This took the form of
21 a \$200,000 annual bonus that Plaintiff paid himself without Board or shareholder approval and
22 improper “business expenses” that Plaintiff charged to TWGI.

23 **RESERVATION OF RIGHTS**

24 4. Defendant and Cross-Complainant TWGI is filing this Cross-Complaint solely to
25 preserve its claims within the applicable statute of limitations period. Defendant and Cross-
26 Complainant TWGI expressly reserves its right to compel arbitration of all claims in this matter,
27 pursuant to Plaintiff’s and Cross-Defendant’s agreement to arbitrate his claims and TWGI’s Motion
28 to Compel Arbitration, which is filed concurrently with this Cross-Complaint, and does not intend

1 by this filing to waive its right to seek arbitration of the underlying claims or this Cross-Complaint.

2 **PARTIES, JURISDICTION, AND VENUE**

3 5. Cross-Complainant TWGI is a corporation organized under the laws of the State of
4 California, with its principal place of business in Los Angeles, California.

5 6. TWGI is informed and believes and thereon alleges that Cross-Defendant Larry
6 Welk currently resides in Tennessee. Plaintiff served as CEO and Chairman of TWGI from 1980
7 until November 2022. Plaintiff owns approximately 28.5% of TWGI's common stock via trust.

8 7. This Court has jurisdiction over the controversy by virtue of the fact that this is a
9 civil action wherein the amount of controversy, exclusive of interest, exceeds \$25,000.00.

10 8. Jurisdiction over Plaintiff is proper under California Code of Civil Procedure section
11 410.10. Plaintiff has substantial and continuous business contacts in California.

12 9. Venue is proper in Los Angeles County under section 395(a) of the California Code
13 of Civil Procedure because the actions complained of, and the injuries sustained, all occurred within
14 this county.

15 **GENERAL ALLEGATIONS**

16 **A. Plaintiff's Role at The Welk Group, Inc.**

17 10. Plaintiff was TWGI's CEO and Chairman from 1980 until November 2022. He also
18 owns approximately 28% of TWGI's common stock.

19 11. As CEO, Plaintiff was TWGI's highest-ranking executive and was responsible for
20 its overall management. His role as CEO included, among other things: leadership (providing vision
21 and leadership for the TWGI's effective management and profitability); decision making (making
22 major corporate decisions and setting the TWGI's strategy and vision); operations (managing the
23 TWGI's operations and resources, including employees and other executives); communication
24 (acting as the main liaison between the board of directors and corporate operations, and being the
25 public face of the TWGI); and accountability (being accountable to TWGI's board of directors and
26 stakeholders). More specifically, Plaintiff was responsible for overseeing TWGI's contracts with
27 PBS, managing TWGI's real estate portfolio, and approving personnel policies.

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1 12. As Chairman of the Board of Directors, Plaintiff was responsible for leading and
2 coordinating the Board’s activities. His role as Chairman included, among other things: playing a
3 vital role in steering TWGI’s strategic direction, ensuring good corporate governance, and balancing
4 the interests of TWGI’s stakeholders.

5 13. TWGI shifted its identity substantially in the 40+ years that Plaintiff served as its
6 CEO and Chairman. Under Plaintiff’s tenure as CEO, the hospitality assets, and a majority of the
7 music assets of TWGI and its affiliates were sold or spun-off and then sold, and a property manager
8 and asset manager were contracted to manage the three remaining real estate assets.

9 **B. Plaintiff Signs an Employment Agreement**

10 14. As explained in more detail above, part of Plaintiff’s role as CEO included approving
11 personnel policies. For example, Plaintiff assisted in approving TWGI’s employee handbook and
12 personally signed the welcome statement located on the first page of the handbook.

13 15. On or about February 27, 1995, Plaintiff signed an acknowledgment affirming that
14 he received a copy of TWGI’s employee handbook. That acknowledgment states: “I have received
15 a copy of the Company’s employee handbook dated March 1, 1994. I understand and agree that it
16 is my responsibility to read and familiarize myself with the policies and procedures contained in the
17 handbook.”

18 16. Chapter 3 of the Employee Handbook contains a “Standard of Conduct,” which lists
19 certain “Prohibited Conduct.” It states that “the following types of conduct are prohibited, will not
20 be tolerated by the Company and may result in disciplinary action up to and including termination.”
21 It specifically lists: “3. Theft”; “4. “Removal . . . [of] Company property without prior
22 authorization”; “5. Unauthorized use of Company equipment [or] materials”; and “23.
23 Committing a fraudulent act or a breach of trust under any circumstances” as some of the enumerated
24 prohibited conduct.

25 **C. Plaintiff’s Misappropriation of Company Property**

26 17. In or about October 2022, TWGI first learned that Plaintiff had been paying himself
27 an annual bonus of \$200,000, nearly equivalent to his annual salary, for many years preceding, all
28 without Board approval.

1 **CALIFORNIA STATE COURT PROOF OF SERVICE**

2 Lawrence Welk, Jr. v. The Welk Group, Inc., et al.
3 LACSC Case No.: 24STCV03045

4 STATE OF CALIFORNIA, COUNTY OF ORANGE

5 At the time of service, I was over 18 years of age and not a party to this action. My
6 business address is 4695 MacArthur Ct., Ste. 900, Newport Beach, CA 92660.

7 On July 1, 2024, I served true copies of the following document(s):

8 **THE WELK GROUP, INC.'S CROSS-COMPLAINT**

9 I served the documents on the following persons at the following addresses (including fax
10 numbers and e-mail addresses, if applicable):

11 Timothy D. McGonigle
12 LAW OFFICES OF TIMOTHY D.
13 MCGONIGLE, APC
14 1880 Century Park East, Suite 516
15 Los Angeles, CA 90047
16 T : 800.713.5260

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Lawrence Welk, Jr.

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Michael Yerzinkyan
michael@mcgooniglelaw.net

17 The documents were served by the following means:

18 (BY E-MAIL OR ELECTRONIC TRANSMISSION) Based on a court order or an
19 agreement of the parties to accept service by e-mail or electronic transmission, I caused the
20 documents to be sent from e-mail address lkupfer@ohaganmeyer.com to the persons at the
21 e-mail addresses listed above. I did not receive, within a reasonable time after the
22 transmission, any electronic message or other indication that the transmission was
23 unsuccessful.

24 I declare under penalty of perjury under the laws of the State of California that the
25 foregoing is true and correct.

26 Executed July 1, 2024, at Costa Mesa, California.

27 

28 LISA KUPFER

[Service copy of Proof of Service unsigned as
required by CCP §1013(b)]