

Buyback Padded Founders' Pockets, Travel Co. Workers Say

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By **Ethan Beberness**

Law360 (May 12, 2021, 5:14 PM EDT) -- A proposed class of World Travel Inc. employees has accused Prudent Fiduciary Services and its owner of overpaying for a \$200 million stock buyback from the company's founders by saddling the employee ownership plan with "tens of millions" of dollars in debt.

The complaint, filed by employees of the travel agency on Tuesday in Pennsylvania federal court, claims plan manager Prudent and owner Miguel Paredes mishandled a 2017 stock buyback by allowing three stockholders, World Travel founders James A. Wells, James R. Wells and Richard G. Wells, to sell their shares back to Prudent at above market value while retaining control of the company board even though the transaction made World Travel entirely employee-owned.

Prudent purchased 19,860,000 World Travel shares from the founders — each of whom owned 10% or more of World Travel — for \$200 million through a loan of the same amount to Prudent from World Travel to be paid off over 45 years with an annual 2.64% interest rate, according to the complaint, which alleges the buyback violated the Employee Retirement Income Security Act.

The complaint does not specify what the employees would have considered a fair price. WTI shares are not traded on a public market.

The Wells also managed to retain control of World Travel's board of directors, the employees say. James A. Wells, the only Wells to remain on the board as a director himself, is quoted in the complaint as having said "I'm not going anywhere" and stating that a successorship plan he devised several years earlier would continue as before.

The employees argue that Prudent might have been motivated to breach its fiduciary duty in favor of the founders by the potential for future business gained from a reputation for managing Employee Stock Ownership Plan transactions with "a lesser degree of diligence" than company owners might expect from a non-ESOP sale of their business. Prudent bills itself as a specialist in ESOP transactions.

World Travel brought Prudent on as a trustee after adopting the ESOP in January 2017, the employees say, and was responsible for paying Prudent to manage the plan. In return, Prudent gained sole authority over negotiations for the plan on behalf of the employee

stockholders and was meant to ensure the plan did not pay above market value in transactions such as the one at the center of this suit, the complaint states.

"We look forward to vindicating our clients' claims and those of other participants in the World Travel ESOP," the plaintiffs' attorney Gregory Porter told Law360 on Wednesday. "ESOP transactions are notorious for sticking employees and ESOPs with massive debt due to inflated transaction values."

World Travel is a travel agency specializing in corporate travel management since 1983 and, according to the complaint, has remained privately traded since its founding.

The investors bring claims for causing and engaging in transactions forbidden by ERISA and U.S. Code 23 and for breach of fiduciary duty. They seek a declaration against Prudent and Paredes affirming the trustees' conduct, confirmation of an ERISA violation and a range of financial damages intended to reimburse the employees for investment value and the cost of the suit.

The proposed class is represented by Patricia Mulvoy Kipnis, Gregory Y. Porter and Ryan T. Jenny of [Bailey Glasser LLP](#).

Counsel information for Prudent was not available, and representatives for the company did not return calls for comment.

The case is Ahrendsen et al. v. Prudent Fiduciary Services et al., case number 2:32-cv-02157, in the [U.S. District Court for the Eastern District of Pennsylvania](#).

--Editing by Ellen Johnson.

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