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News

Wrongful Discharge Former Official, North Carolina County Settle Termination Lawsuit for \$650,000

RALEIGH, N.C.—The former manager for Union County, N.C., has settled a wrongful discharge lawsuit for \$650,000, one of the official's attorneys told BNA July 11 (*Shalati v. Union County (N.C.)*, N.C. Super. Ct., No. 07-CVS-01663, *claims dismissed*7/13/08).

According to Julie H. Fosbinder, an attorney with the law offices of Fosbinder & Van Kampen in Charlotte, N.C., the settlement was reached July 3 following court-ordered mediation.

The matter stems from the employment of Mohammed "Mike" Shalati by Union County. Previously employed by the county as an assistant public works director, public works director, and assistant manager, he was hired in January 2002 to be the county manager.

According to court filings, the initial contract for employment as city manager that Shalati signed was effective December 2001 and contained provisions that he would be paid a minimum salary of \$130,000, provided benefits, and given a severance of twice his salary if terminated within five years and the equivalent of his salary if terminated after five years. In November 2006, Shalati signed an amendment to the agreement that altered some of the provisions, including an extension of the time he was eligible for double-salary termination pay.

In January 2007, the majority of a newly-elected county board of commissioners voted to remove Shalati from office. Following his termination, Shalati filed a lawsuit in the North Carolina Superior Court for Union County, alleging violations of the state wage and hour law, wrongful discharge, and tortious interference with contract.

According to Shalati's complaint, he was fired after he refused to violate certain state laws and county ordinances by members of the county commission. The county also did not pay him the two years' severance and other money due under the November 2006 contract, Shalati alleged in his lawsuit.

According to Fosbinder, the county originally had told Shalati that it would honor the contract agreement, but then declined to do so.

County Denies Wrongdoing

As part of the settlement agreement, the county denied any wrongdoing and Shalati agreed not to pursue further action related to the matter. Fosbinder said that a motion to dismiss the lawsuit was filed with the court July 3 and a separate complaint filed with the federal Equal Employment Opportunity Commission alleging discrimination on the basis of national origin and religion also would be withdrawn.

In July 3 comments posted on the county's Web site, Allan Baucom, chairman of the county commission, said Shalati was terminated because he withheld important information from the commission, including a sewer moratorium being imposed by the state, and misrepresented discussions about a request to recognize Confederate Gen. Robert E. Lee's birthday.

Baucom also questioned the manner in which the November 2006 changes to Shalati's contract were made. "There was no legitimate reason beneficial to the county" that such amendments would be made, which were approved by a previous board of commissioners, Baucom said.

"The ones who voted for this new contract on the old board can't get their stories straight," Baucom said in his comments. The current board also resisted paying the terms of the "unlawful contract," he said.

According to Baucom, the county decided to settle because there was no legal precedent in the matter and the litigation was likely to take five or six years and be heard by the state Supreme Court before it concluded. As the contract terms called for Shalati's legal fees to be paid regardless of whether he won or lost the case, the cost to the county would likely exceed the amount of the settlement, Baucom said.

Shalati is required to pay his legal fees out of the \$650,000 he received.

Of the total, the county's insurer will pay \$25,000, according to Baucom. The insurer would not pay more as it believed it had limited legal exposure in the matter and the \$25,000 was roughly what it would pay for representation, he said.

Commission representatives were unavailable to comment beyond the July 3 statement made by Baucom.

In addition to Fosbinder, Shalati was represented in the lawsuit by Kenneth W. Honeycutt, a lawyer based in Monroe, N.C.

Text of the settlement agreement may be accessed at [http://op.bna.com/dlrcases.nsf/r?](http://op.bna.com/dlrcases.nsf/r?Open=vros-7gfupy)

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