UNITED STATES DISTRICT COURT FOR THE DISTRICT OF SOUTH CAROLINA, COLUMBIA DIVISION

John E. Reese, III v. Daniel L. Hodges; Transform-X, Inc.

No. 3:22-cv-03645-JDA (D.S.C. Feb. 11, 2026) · No. 3:22-cv-03645-JDA · Decided February 11, 2026

SUMMARY

The United States District Court for the District of South Carolina grants Transform-X, Inc.'s motion to set off amounts Plaintiff received in settling claims against former Defendant COMSovereign Holding Corp. The court applies Arizona law pursuant to the promissory note's choice-of-law provision and concludes that the settlement arose from the same injury as the claim against Transform-X. The court reduces Transform-X's damages by $70,000 for cash and stock received and by any payments received on a $170,000 settlement promissory note.

CASE DETAILS

COURT	United States District Court for the District of South Carolina, Columbia Division
WRITING FOR THE COURT	Jacquelyn D. Austin
JURISDICTION	United States District Court for the District of South Carolina, Columbia Division
DECIDED	February 11, 2026
DOCKET	3:22-cv-03645-JDA
DISPOSITION	other
PROCEDURAL POSTURE	Defendant Transform-X, Inc. moved after trial for a setoff against damages based on Plaintiff's settlement with former Defendant COMSovereign Holding Corp. The court resolved the motion before entering final judgment.
STANDARD OF REVIEW	The court applied the governing-law rules applicable in a diversity action and independently determined the appropriate settlement credit against the damages award.
PRECEDENTIAL VALUE	unpublished, nonprecedential federal district court opinion

TOPICS

damages · contracts · commercial litigation · civil procedure

PRACTICE AREAS

contract law · commercial litigation · remedies · civil procedure

QUESTIONS PRESENTED

1. Whether Arizona law governed the calculation of a settlement credit against damages owed under the promissory note.
2. Whether Transform-X was entitled to reduce the damages award by the cash, stock, and later payments received by Plaintiff under the settlement with COMS, despite Transform-X's failure to plead setoff or present the settlement details to the jury.

HOLDINGS

1. Arizona law governs the determination of the settlement credit because the promissory note expressly provides that it is governed, construed, and interpreted under Arizona law.
2. Transform-X is entitled to a reduction of the damages owed under the note based on Plaintiff's settlement with COMS because the settlement and the judgment concern the same injury. The reduction includes $70,000 for the cash and stock received and the amount of any payments received on the $170,000 settlement promissory note.

KEY QUOTATIONS

> *"The effect of a settlement by one defendant when multiple defendants are involved should not turn upon whether the defendants are sued in contract or in tort."* (Discussion)

> *"the idea that a plaintiff is entitled to only one satisfaction for each injury is an "equitable doctrine [that] operates to reduce a plaintiff's recovery from the nonsettling defendant to prevent the plaintiff from recovering twice from the same assessment of liability.""* (Discussion)

FACTUAL BACKGROUND

Plaintiff loaned Transform-X $125,000 under a December 13, 2018 promissory note executed by Daniel L. Hodges as Transform-X's CEO. The note matured without payment, and Plaintiff sued Transform-X, Hodges, and COMS on claims including liability under the note. Plaintiff settled with COMS for $20,000 in cash, restricted COMS stock valued at $50,000 at the time of settlement, and a $170,000 promissory note. The court had already determined Transform-X's liability under the original note, and the court found that Plaintiff's claims against COMS and Transform-X concerned the same underlying injury.

PROCEDURAL HISTORY

Plaintiff filed the action in South Carolina state court, and Defendants removed it to the United States District Court for the District of South Carolina. COMS was later dismissed with prejudice after Plaintiff conditionally settled with it. Following a 2025 trial, the court entered judgment as a matter of law for Plaintiff on Transform-X's liability under the promissory note, while the jury found no securities-law violations. The court granted Transform-X's posttrial motion for setoff and deferred final judgment pending a status report concerning payments on a settlement promissory note.

DISPOSITION

other

CASES CITED

- Erie R. Co. v. Tompkins, 304 U.S. 64, 78 (1938)
- Nucor Corp. v. Bell, 482 F. Supp. 2d 714, 728 (D.S.C. 2007)
- Livingston v. Atl. Coast Line R.R. Co., 180 S.E. 343, 345 (S.C. 1935)
- Grant Thornton, LLP v. Fed. Deposit Ins. Corp., 435 F. App'x 188, 201-05 (4th Cir. 2011)
- Antero Res., Corp. v. C&R Downhole Drilling Inc., 85 F.4th 741, 748 (5th Cir. 2023)
- Sun Chems. Trading Corp. v. SGS Control Servs., Inc., 159 F. App'x 459, 461-64 (4th Cir. 2005)
- Am. Home Assur. Co. v. Vaughn, 517 P.2d 1083, 1085-86 (Ariz. Ct. App. 1974)
- Pasco Indus. v. Talco Recycling, Inc., 985 P.2d 535, 550 (Ariz. Ct. App. 1998)
- Stoneledge at Lake Keowee Owners' Ass'n, Inc. v. IMK Dev. Co., 866 S.E.2d 542, 555-56 (S.C. 2021)
- Chisholm v. UHP Projects, Inc., 205 F.3d 731, 737 (4th Cir. 2000)