

# Business Ownership Disputes

Privately-held and family businesses have distinct legal and business needs, particularly when a business is in transition or a dispute arises. Our attorneys understand these unique challenges and are equipped to guide clients through specifically tailored strategies for success.

When it comes to dispute resolution, we regularly use a variety of approaches to define the root of a business conflict in order to craft optimum solutions. We start with an assessment of business strategy and then evaluate opportunities for dispute resolution. This includes an array of negotiation styles, including attorney-to-attorney, mediation and family counseling. When litigation becomes necessary, our attorneys are highly skilled in advocating for clients and developing strategies for successful outcomes.

Clients benefit from the know-how we have developed across the nation as well as the diverse array of remedies available in different jurisdictions, since shareholder rights vary by state. Regardless of geography, the core goal is to address these complex disputes from several perspectives and employ creativity when designing both legal and business solutions.

## **BUSINESS COUNSELING EXPERIENCE**

Our attorneys understand the fundamentals of good business. They take the time to learn about our client's business and its goals as an owner. Business disputes often involve multiple issues and require an assessment of several legal options to resolve them. In counseling a business, we address:

- Planning during the formation of a business to anticipate potential conflicts before they arise.
- Shareholder and member agreements focused on good dispute avoidance governance.
- Ownership transfer restrictions, buy-out mechanisms, rights of first refusal and approaches to valuation that fit the circumstances.
- Control of company assets, including its intellectual property and goodwill.
- Estate and retirement planning and tax considerations, particularly for family businesses.
- Shareholder and board action to remedy conflict and avoid litigation.
- Employment law considerations for owners who serve in an executive or management role.

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## Recent Examples

- Represented minority shareholder in multimillion-dollar redemptions from two companies in which it had invested, one in the automated processing field and one in the baby products industry.
- Represented a foundation's representatives on the board of directors of a financial institution with respect to governance and compensation matters.
- Represented a minority participant in a joint venture in negotiating protective governance provisions, including board of director participation, budget control and the sharing of executive positions.
- Represented majority participant in a broadcasting venture in governance, control and buyout issues.
- Conceived and implemented a myriad of family business succession plans that have resulted in the successful transition of businesses to the next generation while providing liquidity for the first generation, transitioning a sustainable business to the second generation, implementing sound governance practices and protecting non-active owners of the second generation.

## DISPUTE RESOLUTION EXPERIENCE

Despite the best of intentions with a well-structured and well-developed business plan, some conflicts require special means to resolve. We regularly use a variety of approaches to define the root causes of business conflict and involve all parties in trying to reach a mutually acceptable solution. Legal and business options for resolving disputes include:

- Lawyer-to-lawyer negotiations, including sales and buyouts.
- Non-binding mediation before certified neutrals.
- Family counseling geared toward estate, tax and business considerations in transitioning closely held enterprises.
- Binding and non-binding mediations and arbitrations.
- Helping independent and qualified appraisers understand a business so as to achieve an optimal valuation.

## LITIGATION EXPERIENCE

When conflicts become irreconcilable and conduct between co-owners turns harmful to the business, litigation often becomes necessary. Judges and juries are needed to determine remedies. Commonly referred to as "minority shareholder litigation" or "business divorce," the proceedings can become complex. The stakes are high in what is often "bet the company" litigation. Our attorneys are experienced in advocating for clients in court, advising both minority and majority owners in developing strategies for successful outcomes.

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- Represented 50% voting shareholder in litigation and subsequent appeals. After substantial efforts to exhaust avenues to avoid litigation -- business planning, internal corporate remedies, and negotiation -- our client filed suit against his own family's business and three of its executives. We pursued an array of remedies given our client's position as a 50% voting shareholder. Our client obtained judgments against the company and two of its executives totaling more than \$22 million, including more than \$4.8 million in punitive damage awards from the jury.
- Represented members of the founding family in a proxy contest and four related lawsuits. Our clients were facing an unfavorable board of directors split over management performance issues and a threat to sell off a substantial part of the company. Withstanding as shareholders, our clients prevailed in the lawsuits and the proxy contest and recovered their attorney's fees and costs from the opposing party.
- Successfully defended a closely-held company and its other shareholders against a variety of legal theories and obtained a significant monetary judgment on a counterclaim against a disgruntled shareholder. After multi-year litigation with this disgruntled minority shareholder/family member, the litigation came to a successful conclusion for our client with the issuance of an opinion by the United States Court of Appeals affirming a jury verdict in favor of our closely-held corporate client.
- Represented a family that was in a real estate joint venture with another family to successfully negotiate a buyout of our client for \$10 million. Our client, who had family members scattered in Italy, Spain, Switzerland and Canada, had been at odds with the other family for years. We positioned our client into control of the joint venture, and the other family sued. Following depositions in Minnesota, Canada and Spain, we convinced the other family to engage in mediation which resolved the matter absent a trial.
- Obtained 100% ownership of the family business for the owner of a well-established family business following the death of her husband. Throughout this ownership dispute between our client and certain family members we utilized mediation and business negotiations, and filed a lawsuit to reach a mutually acceptable business resolution in which our client obtained her desired result.
- Represented a minority shareholder in an ownership dispute with his dental partner. We used mediation, business negotiations and litigation to achieve our client's desired result of obtaining 100% ownership of substantially all of the dental practices owned by the company.

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Stinson Attorneys Analyze CTA vs. NYLTA in *Bloomberg Law* as Federal Ruling Could Impact Similar State Laws

03.12.2024

Kaplan Recognized by *St. Louis Small Business Monthly* on 2023 "Best M&A Providers" List

03.01.2023

Sugden Selected to Denver Leadership Foundation Program

07.22.2022

Sugden Uses Recent Court Decisions to Show Why Good Contracts Matter in Construction Projects

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