

# 5 Issues Regarding Disputes in Small Businesses, Family Businesses, or Close Corporations

May 08, 2019

Small businesses, family businesses, and close corporations are common and offer special opportunities to create and preserve value in a way that can be very personally meaningful. However, these businesses can also be fraught with issues of mismanagement, failure to follow controlling documents, or disappointed expectations. Pre-litigation advice is a key tool for avoiding or minimizing such issues, while litigation advice is vital to resolving them favorably when they arise. Below are five issues to consider when trying to minimize or resolve disputes in small or family businesses or close corporations. **Morse litigators** can help you with these and other issues.

## **1. Is the company a Massachusetts corporation?**

In a Massachusetts corporation, majority shareholders owe minority shareholders an utmost duty of loyalty. Rules are different for companies incorporated in other states.

## **2. Is the company an LLC or partnership?**

Partners owe each other a duty of loyalty, but duties owed in an LLC differ depending on LLC membership.

## **3. Who will lead the entity after the current leader retires?**

Many close corporations face challenges involving the retirement of a founder or important business leader. Sometimes disputes arise about whether to split the company, merge with another company, or otherwise rearrange the way an entity's assets are deployed.

## **4. Is the family business merely one piece of a larger issue involving family estate planning?**

Serving as a trustee of a family trust, being a beneficiary of a trust, managing a family business, being a shareholder of a family business, or co-owning real estate with extended family members as joint tenants or through a trust: all of these situations come with competing rights and responsibilities that legal counsel can help explain.

## **5. Will existing problems be passed on to the next generation?**

Dealing with issues now by expending the time and energy needed to course-correct for a smoother future will prove to be a gift for future company leadership, whether managers or owners.

For more information regarding large or small business disputes with clients, customers, vendors, or internal disputes, please contact **John Tumilty**.