Dispute Resolution – A Case Study

Financial Resource Associates often finds itself at the center of disputes between business partners. We have consistently found it best to ignore any controversy and focus solely on the company and its cash flow. The nastiest disputes may or may not find their way into the courtroom and a Receivership may offer an effective means of dealing with the parties.

Consider the following:
Two friends (Bill and Curt) share an idea for a new venture. They decide to go into business together, each with a 50% share. Curt brings substantial sales and operations expertise, while Bill provides financial and technical skills. Bill also provided the minimal initial investment to launch the firm. Their business is web-based and the company enjoys significant success.

Over the next several years, the company's sales reach well into the seven figures with a net profit margin of nearly 20%. Their growth plateaus while profit and cash flow remain healthy. The company requires very little investment, so the owners are able to pay themselves substantial distributions.

Even with this stellar success and return on investment, they have a falling out. One has entered into a side venture, which the other sees as a distraction and a conflict of interest. Curt believes he is acting within the very loosely written partnership agreement and is enjoying this side venture, so he continues. Their partnership agreement fails to anticipate a time when the parties cannot agree and is of no help in resolving the conflict.

A rift develops and quickly becomes a major chasm between the two. The partners stop speaking to one another and the anger continues to fester. Bill decides to take action and an event occurs that could potentially harm the business. While the disputes continue, their attorneys convince the owners that the business needs to be placed into a Receivership (about the only thing they have been able to agree to in almost a year).
Bill and Curt try to maintain their fight within the company even with a Receiver in place. However, the Receiver insulates the company from these attempts and operates the company during the ensuing months while encouraging the owners to negotiate an agreement for the future. Curt and Bill reach a new agreement and the Receivership ends. Even with the costs involved, the company produced substantial profits and cash flow for the owners.