

Sep 2021 | [Articles Blog: The Westchester Litigator](#)

Yankwitt LLP Uses Independent Company Valuation to Successfully Negotiate a Minority Interest Buy-Out and Settle a Multiyear Close Company Litigation

Situation

In a long running family business dispute, Yankwitt LLP was retained to replace another law firm with the representation of the majority shareholders in a manufacturing company, a husband and wife who had successfully managed and grown the company since taking it over more than a decade ago. The litigation was brought by the wife's sister, a minority shareholder, who alleged fiduciary duty breaches. The company's accountants, who had advised the husband and wife on business decisions that gave rise to the dispute, were co-defendants in the case – the third related litigation filed by the plaintiff since 2017. Represented by prior counsel, and unable to agree with the sister on an appropriate settlement amount, our clients spent those years under the cloud of this financially and emotionally taxing dispute.

Approach

Leveraging its extensive experience litigating close company and family partnership disputes, Yankwitt LLP determined the best way to resolve the case was to buy out the minority shareholder plaintiff. Yankwitt LLP also saw that the optimal way to agree on a buy-out price – which the co-defendant accountants would help cover – was through private mediation.

To optimize our clients' negotiating position, Yankwitt LLP proposed that prior to mediation, the clients obtain a professional valuation of the company, because effective and thorough preparation for mediation can reap significant rewards at the settlement table. The clients agreed, and we hired a forensic accountant to both investigate potential cross-claims against the co-defendant accounting firm and to value the company. This up-front investment paid off in spades. Armed with the results of that investigation, Yankwitt LLP entered into an aggressive negotiation based on a sophisticated understanding of the company's value and the co-defendant accountants' missteps. This allowed Yankwitt LLP to leverage the weaknesses in the plaintiff's position and put pressure on the accountants to own their share of responsibility.

Result

Yankwitt LLP settled the case by negotiating a buyout price that was significantly less than what the client anticipated, with a sizable contribution from the co-defendant accounting firm. Yankwitt LLP's clients can now put this multiyear lawsuit behind them and concentrate on successfully running their business.