

Fiduciary Duty, Shareholder & Partnership Disputes

Considered one of the premier fiduciary dispute practices in the San Francisco/Bay Area, Shartsis Frieze offers a deep bench of trial lawyers experienced with trying and winning cases on behalf of founders, management and partners/shareholders.

We have represented the interests of law firms, accounting practices, brokerages, real estate developers, sports leagues, construction companies, investment firms, banks and technology companies, family business, among others, in business divorces, in disputes involving self-dealing, usurpation of corporate opportunity, and corporate control, in shareholder derivative lawsuits, in involuntary dissolution and statutory buyout proceedings, and in special proceedings relating to the election of directors and governance of corporations, associations and nonprofits. Our experience includes working on disputes involving all corporate forms, including corporations, limited liability companies, general and limited partnerships, joint ventures, and unincorporated associations.

Well-versed in the decisional and statutory law surrounding the rights and obligations of directors, officers, partners and shareholders, we've handled matters throughout California, as well as in Delaware and other common jurisdictions. Firm lawyers have authored leading treatises and practice guides on fiduciary litigation, and we are often asked to and teach Continuing Legal Education courses in this practice area for other lawyers. We have litigated precedent-setting cases in fiduciary law, including *Fair v. Bakhtiari et al.*, 40 Cal. 4th 189 (2006) and 195 Cal. App. 4th 1135 (2011). This extensive, subject-matter expertise allows us to work with our clients to develop and deploy effective, and sometimes novel, strategies that leverage both the law and business realities.

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Many fiduciary disputes involve business valuations or appraisals arising out of statutory or contractual dissolution or buyout rights. We are deeply experienced in these disputes and, among other forms of valuation disputes, we have handled countless disputes involving buyouts of ownership interests under Corporations Code Section 2000 and related statutes that govern partnerships and LLCs. The decision to seek an appraisal should not be made lightly, since the timing and scope of the appraisal, how and by whom the appraisal is conducted, what discounts to apply, and many other factors, can have a significant impact on the result. We have had substantial success obtaining favorable results for our clients in such disputes. We do this by knowing the law inside and out.

Recognized for their expertise, firm lawyers have authored two of the leading articles in California on disputed dissolutions of privately held corporations. Leverage our knowledge and expertise from the outset of a business divorce, we advise clients on the strategic considerations in demanding, resisting and managing the appraisal process. We often counsel clients on how and when to seek judicial intervention, including the appointment of provisional directors and receivers, the granting of injunctive relief, and the exercise of statutory dissolution or buyout rights. Tapping into our industry connections, we partner with the best business valuation experts. And, when necessary, we prosecute or defend these disputes in court or arbitration.

Litigation among partners, family members, shareholders, and others engaged in close business and personal relationships can be particularly hard on the litigants. Sensitive to these dynamics, we offer our clients many litigation options – from the aggressive pursuit of damages, corporate control or injunctive relief to the development of business solutions that may or may not involve a continued working relationship among the parties.

Experience

Representative Larger Matters

- Represented one of two 50% shareholders in one of the largest disputed dissolutions of a privately held corporation in the history of California, resulting in a forced buyout of the other shareholder by our client at a steeply discounted price and saving our client tens of millions of dollars.

- Represented one of two co-founders of a private company that later went public. Defeated a claim against our client for \$70 million and obtained a \$3 million attorneys' fees award in his favor.
- Represented a company against the manager of subsidiary, where the manager had engaged in self-dealing and sought to take over the subsidiary, demonstrating that the manager had breached his duties and been properly terminated for cause.
- Represented one of several partners in the dissolution of a general partnership with substantial real estate holdings, obtaining a \$50 million settlement for our client. Defeated claims by the other side that our client dissociated himself from the partnership through his conduct.
- Represented a member of an LLC in a series of litigations, resulting in the member gaining control of the LLC, identifying and successfully pursuing claims over numerous instances of self-dealing, and successfully litigating over breach of a buy-sell agreement.
- Represented partnerships and a general partner in demonstrating that several transfers of partnership interests were restricted, resulting in voiding of transfers.
- Represented a group of investment partnerships and their general partner in a series of disputes with the limited partners and the partnership administrator regarding the management of partnership assets. Defeated all claims against our client and, on appeal, obtained a favorable judgment on our client's cross-claims, as well as a substantial award of attorneys' fees. Ultimately obtained a favorable settlement in which the plaintiff limited partner relinquished all of his interest in the partnership in exchange for no payment.
- Obtained an \$18 million settlement (the full amount sought) in an elder abuse case for a client whose funds were misappropriated by family members.
- In a valuation dispute over the contractual buyout of a minority shareholder, secured an arbitration award increasing the final buyout price by \$36 million over the majority shareholder's initial offer.
- Obtained a favorable, court-approved settlement on behalf of investors against the manager of a prominent restaurant in San Francisco, who embezzled company funds, which resulted in the manager giving up his ownership of the company (worth millions) and

paying \$500,000 in additional damages. The settlement followed a two-week bench trial in San Francisco Superior Court, one of the early, fully remote, civil trials held in that court.

- Obtained a court order removing a director who breached his fiduciary duty to the company by secretly usurping a business opportunity for himself. The Court issued the order following a multi-day, expedited bench trial involving several witnesses and experts.
- Won two JAMS arbitrations on behalf of a founder and the management of a solar energy developer, successfully defending against claims by private equity investors, with a billion-dollar project pipeline at stake, as well as prevailing on claims that those investors could be bought out on favorable terms.
- In *JY Industries v. Liu*, Alameda Superior Court, served as lead trial counsel for the plaintiff and cross-defendants in a complicated case involving claims of conversion, breach of trust, breach of partnership agreement, and wrongful termination, among others, resulting in a \$23+ million jury verdict and judgment, collected in full.

Some Smaller Matters

- Obtained a \$2 million arbitration award in favor of the owners of a restaurant against a manager who misused company funds, later confirmed in full by the Superior Court.
- Successfully defended real estate brokers against claims of breach of fiduciary duty in a jury trial and obtained a \$3 million judgment in favor of the brokers.
- Obtained a \$1.5 million judgment (the full amount sought) and an award of \$350,000 in attorneys' fees in a dispute between joint venturers in a renewable energy project.
- Defended an investor and director against breach of fiduciary duty claims in the Delaware Court of Chancery.
- Represented a member of an LLC against efforts by the manager to force the member out, resulting in settlement with favorable buyout terms.
- Handled the pre-litigation buyout of a minority shareholder in a technology startup before significant legal expenses.

