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Verdicts & Settlements

Hotel majority owners accused of corporate oppression

Plaintiff's share purchased for three times the buyout offer
$840,000


ROSSMAN


SAXE


GOSS


REEDER

The plaintiff, the minority member of a hotel business in southwest Michigan, brought suit against the majority ownership faction of the company for corporate oppression and other business torts. The plaintiff alleged that the defendants abused their majority control by freezing him out of business operations and terminating distributions notwithstanding ample cash reserves. Prior to filing suit, plaintiff's counsel engaged in due diligence with statutory demands for corporate documents and by noticing and conducting a transcribed member meeting. The defendants' shortcomings in responding to the demands and failing to appear at the member meeting supported the allegations pled in the complaint. In prosecuting the case, the attorneys for the minority-member plaintiff structured their proofs according to a seven-step theory of corporate oppression. They focused their testimonial and documentary discovery on proving the core components manifest in virtually every scheme of corporate oppression:

Step 1: Establish majority ownership.

Step 2: Assume sole managerial control.

Step 3: Control books, records, and finances.

Step 4: Undermine and demoralize minority owner.

Step 5: Divert company assets to self or other businesses.

Step 6: Terminate benefits of minority (employment, distributions, etc).

Step 7: Force litigation.

Heading into facilitation, the plaintiff's attorneys were trial ready with proofs and demonstratives mapping out the particulars of the case. Evidence gathered in discovery revealed that the defendants acceded to majority ownership without paying for their units; usurped sole managerial control upon a fallacious premise; ran all the books through a related entity's bookkeeper and accountant and withheld information from the plaintiff; marginalized and repeatedly insulted the plaintiff; funneled corporate monies to their other business; terminated the employment of the plaintiff and his wife without good cause; ended distributions while stockpiling cash and triggering S-corporation tax burdens; and, lastly, refused to pay fair value for the plaintiff's interest in the company, thus forcing the litigation. At facilitation, the majority owners agreed to purchase the plaintiff-minority's one-third share in the company for $840,000. This amount was nearly three times the buyout offered before the case was filed.

Mark C. Rossman, counsel for plaintiff, provided case information.

Type of action: Corporate oppression, business torts, breach of contract

Injuries alleged: Diminished shareholding interest and misappropriation of assets

Name of case: Moyle v. Moyle, Jr., et al.

Court/Case no./Date: Montcalm County Circuit Court; 2016-21511-CZ; Feb. 24, 2017

Settlement amount: $840,000

Attorneys for plaintiff: Mark C. Rossman, Brian M. Saxe, Maxwell J. Goss, Bryan D. Reeder