

The logo for Astrachan Gunst Thomas Rubin is a stylized, light blue swirl or 'e' shape that partially overlaps the firm's name. The name 'astrachan gunst thomas rubin' is written in a lowercase, sans-serif font, with 'thomas' in a darker blue color.

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Mystery Meat
By: Julie R. Rubin

"And the meat for you, m'am." And there it sat, daring me to guess what it was. I suppose I couldn't really complain. It was, after all, airplane food. I'd been given a choice between the meat and the fish. Airplane food is bad enough without adding fish into the picture. In my frenzy to get to the gate, I left my carefully planned dinner at the security scanners and was forced either to perish from hunger or force down what the lovely flight attendant referred to as "Swiss Steak." Hunger won.

It seemed an eternity before everyone in front of me finally shuffled off the plane. As I waited for my luggage to shimmy its way along the conveyer, all I could think about was devouring the leftover gumbo in my fridge. After a nauseating shuttle trip to my car, I fastened my safety belt, turned the key in the ignition, and let out a huge sigh. Next stop: kitchen. As I turned onto I-95, the phone rang.

"Hello," I answered, wishing I had let it ring. It was George Solomon. I had just met George this past Christmas at a cocktail party. A very affable and warm fellow. It's impossible not to like George, so I didn't much mind that he called. George was one of three owners of a small architect and design firm in Rockville, Maryland. "Julie, forgive me for calling you this late, but I really need your help. My business partners are trying to screw me. Can we meet tomorrow?"

As I drove along the interstate, I listened to George's story. George wanted out of the company and his partners, Ron and Mitch, were trying to force him to sell them his shares for next to nothing. As do most business divorces, it was turning ugly. "Do you guys have a shareholders' agreement?," I asked. "Oh, yes, of course," he answered. I was relieved to hear that, but was too tired to listen attentively to the rest of the story, so I agreed to meet George the next morning and asked him to bring along a copy of the shareholders' agreement. George apologized again for calling me after hours and thanked me for my help. "Well, I haven't done anything yet, George. I'll see you tomorrow. Get some sleep."

The next day, George met me at the office with a copy of the shareholders' agreement and a bunch of nasty emails among him and his partners about the break-up. We sat down with two cups of coffee and I listened to the who-struck-John. George had been frustrated for years by what he viewed as his partners' poor financial decisions, bad business judgment and failure to generate business. They were talented, George said, just lousy businessmen. George

said he'd been responsible for about 80 percent of the company's revenue in the last five years and was sick and tired of dragging his partners up the mountain. The recent economic downturn had caused the operating account to shrink, and they were substantially in to their line of credit. They each held a third of the company's shares. Lacking a majority interest, George decided to jump ship and open his own shop. All he wanted was for Ron and Mitch to buy him out at a reasonable price and they could keep just about everything except for a few current accounts George had brought in. But the shareholders' agreement had something else in mind.

Ron and Mitch started the company in 1994 and George joined them three years later in 1997. When George came aboard, they asked him to sign the same shareholders' agreement they had signed back in '94. So he did. George explained to me that he hadn't bothered having a lawyer review it, because he figured he was the new guy and didn't want to make trouble. He was a young architect and he was just happy to have a place to hang his hat. A lot changed in the years that followed. George grew to become the leader, the rainmaker, and Ron and Mitch benefitted from his hard work.

The shareholders' agreement stated that, when a shareholder leaves the company "for any reason", the remaining shareholders are entitled to buy the departing shareholder's shares based on the net worth of the company as determined by the "value of the company's accounts receivable plus its tangible and liquid assets, less all corporate debts." If valued according to this formula, George's shares were worth almost nothing. The agreement didn't include any factors relating to earnings, compensation, or any other oft-recited value factor in shareholder buy-sell agreements, and it didn't require any independent valuation or appraisal of his interest. This was not good. But George had signed the contract and there wasn't much getting out of it.

George was stunned. "You mean to tell me, I busted my tale for the last 13 years to line their pockets and I get squat?" Certainly, there were paths George could have taken to try to squeeze more than a straight reading of the agreement allowed, but George rejected that. He was interested in making money, not war.

In the weeks that followed, when examining the books and records of the company, I discovered evidence suggesting that Ron had been skimming money from the operating account. A certified fraud analyst confirmed it. That radically shifted the power to George's advantage, so I was able to get George a lot more for his shares than the agreement allowed in exchange for George's agreement not to pursue litigation. It wasn't exactly what George had in mind, but I think he found satisfaction in having the last say in the matter.

In the months that followed, I help George set up his new company with a new business partner. And this time, the shareholders' agreement was sensibly and carefully drafted, if I do say so myself.

Simple advice is sometimes the most valuable advice. So, I leave you with this: Take great care in entering a business, choosing business partners and signing contracts. Ask questions. Get legal advice. And get information. Know what you're getting into. And leave the mystery meat to the airlines.

