

The New Legal Landscape for Minority Shareholders: Claims and Defenses After *Ritchie v. Rupe*

The University of Texas School of Law
2015 LLCs, LPs and Partnerships
July 9-10, 2015
Four Seasons Hotel
Austin, TX

By: Ladd Hirsch and Jason Fulton
Diamond McCarthy LLP
lhirsch@diamondmccarthy.com
jfulton@diamondmccarthy.com

“From a relational standpoint, people enter closely-held businesses in the same manner as they enter marriage: optimistically and ill-prepared.”

~ Charles W. Murdock,

The Evolution of Effective Remedies for Minority Shareholders and Its Impact Upon Valuation of Minority Shares, 65 NOTRE DAME L.REV. 425, 425 (1990)

The Closely Held Business

BUS. ORG. CODE SECTION 21.563 (corp) / 101.463 (LLC)

- Less than 35 shareholders/members
- Stock not traded on national market.
- Exempt from derivative suit requirements.

TYPICAL TRAITS

- Some members also serve as officers and directors
- Less than 10 shareholders with few passive investors.

3

A great beginning . . .



4

Does not insure a good ending



5

Shareholder Oppression - A Tale From Two Sides of The Table

Minority Gripe

- FIRED!
- Remove from Board
- No documents
- No distributions
- Majority takes \$\$

Majority Response

- Incompetent
- Out for yourself
- You plan to compete
- Need to hold capital
- Pay for performance

6

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the [UT Law CLE eLibrary \(utcle.org/elibrary\)](http://utcle.org/elibrary)

Title search: The New Legal Landscape for Minority Shareholders: Claims and Defenses After *Ritchie v. Rupe*

Also available as part of the eCourse

[Liability and Risk Management Topics in LLCs, LPs and Partnerships](#)

First appeared as part of the conference materials for the
2015 LLCs, LPs and Partnerships session

"Remedies of Minority Owners Post *Ritchie*"