

"SWEET NOTHINGS" AND BUSINESS RELATIONSHIPS ©

By Donald W. Hudspeth

Whispering "sweet nothings" in your business partner's ear may not be a good idea, particularly if it is not *that* type of relationship. But, this article addresses legal issues that arise between business owners where a close friendship or personal relationship does exist.

As part of our standard business law practice we counsel the client(s) on the importance of dealing with money and power issues up front. Almost always where the business owners ("partners") are in a personal relationship the client responds by saying something to the effect that: "Well, that is less of a concern with us because we are family."

Au contraire. Actually, the personal relationship can complicate the business relationship. Here's why: With purely business matters money – or sometimes participation in management ("power") -- will usually resolve the issue. But where a significant other, friend or family is involved a whole other dynamic is in play. There can be too much trust or too little. Things said which would not mean much in a purely business sense may have layers and years of meaning, where one word can trigger an emotional outburst because that topic is an emotional "hot button" for the parties. The parties may have 20 years of personal baggage triggered by that word, phrase or issue. Think personal divorce with business issues thrown on top.

Here are a few recent examples:

1. The lifelong friends who were each the best man in the other's wedding who are suing each other for control of a sports towel company. The hurt and anger arising from perceived betrayal greatly complicate communication between the parties and frustrate attempts at settlement.
2. The boyfriend who promised his girlfriend \$20,000 to expand her salon, which salon was expanded but the \$20,000 was not received.

And, now the boyfriend wants \$20,000 for his interest in the business and to maintain the personal relationship. (The parents brought the daughter in on that one.)

3. The daughter and her husband who offered the out of work and "down and out" in laws a role in their successful major sign company only to have the in laws take over the company and oust them from it. The daughter and her husband had to hire us to get the company back.
4. The son who evicted his father from the business building because the father put the property in the son's name, but later the son sided with his mom in the divorce.
5. The son who stole funds from the family business and sued his father to support his meth addiction.

Personal relationships create non-business issues and actions which can greatly complicate what otherwise could be resolved with power or money. The bottom line is that one should not assume that the personal relationship will prevent business conflict; the reality is that the personal relationship may cause or complicate business problems. You know the saying 'In God we trust; all others pay cash.' Well trust your friends and loved ones but document the deal just the same. You all will sleep better for it.