

Oppression of Shareholders, Good Faith & Duty of Loyalty

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Limited liability companies (LLCs), corporations, and limited partnerships generally must look to a state's business organization statutes for answers when disputes arise amongst shareholders or members. South Carolina is no different.

South Carolina's business organization statutes—found in Title 33 of the South Carolina Code—provide remedies for oppressed shareholders, partners, or members of an LLC. Those statutes also provide useful information for business owners of all types including guidance on transferring LLC interests, conversions and mergers, dissolutions, and, importantly, fiduciary duties.

Where a company's operating agreement, by-laws, or other governing documents are silent, the business organization statutes control and describe the circumstances in which a court may act to dissolve or otherwise intervene in a company's dealings due to illegal, fraudulent, or other oppressive conduct by one or more of the company's shareholders or members.

The conduct of a company's officers, managers, and directors is ordinarily scrutinized through an objective (rather than subjective) lens. These individuals often have fiduciary duties to the corporation, as well as to the shareholders or members of the company.

For a more in-depth look at this topic, check out "Oppression of Shareholders, Good Faith and the Duty of Loyalty," authored by Rosen Hagood attorneys Richard Rosen (retired) and Tim Muller.