My father started his own business in 1941. At first he sold products manufactured by others. As the business grew, he began to have products manufactured to his designs. In 1948, the business had progressed to a size that allowed it to open its first factory. During this time, the business was financed by commercial lenders on a closely monitored secured basis, guaranteed by my father. As the business became more successful, it was able to obtain financing from commercial banks, but also with my father’s personal guarantee. I remember how relieved my father was when he was able to obtain financing from a private equity group without any personal guarantee.

My father discussed business quite often at the dinner table—meeting shipping dates, having the right inventory in time, hiring the right people, and a myriad of other business issues. Quite often I would go to work with my father on Saturday and listen and learn. In college during summer vacation, I worked in the shipping department, because my father believed, and I agreed, that the only way to learn any business is from the bottom up. When the business grew to a large enough size, it merged with a firm listed on the American Stock Exchange, and my father became chairman of the board.

As soon as the merger was consummated, my father began having problems with the president of the other company, who had become the president of the merged company. I often asked my father why he put up with the president’s unacceptable and abusive behavior. His answer always was, “I have more stock than he does and he is making me money.” Of course, my father always had an available exit if the situation became unbearable—he could sell his stock because the company was public and there was an established market, although it could take time. Unfortunately, most similarly situated principals do not have this option. The business eventually became the subject of a well-engineered, two-step hostile takeover and was sold to a white knight.
I began my legal career clerking for a judge. I then became an associate and later a partner in a law firm representing many Fortune 100 and Fortune 500 companies and did legal work for a number of those companies for a number of years. During this time I also did work for a few small and middle-market companies. During the 1990s, after the bubble burst, I also represented a number of clients as creditors in Chapter 11s.

As the nature of the legal practice and the business of law changed, I concentrated more and more on representing middle-market companies, especially closely held and family-owned businesses. It was like a duck taking to water. I was able to take advantage of what I learned growing up in the atmosphere of a privately owned business, as well as the legal experience I had gained representing businesses of various sizes and ownership structures.

Over the years, I’ve been involved in business disputes between the owners of closely held businesses. During that period, I noticed that there was no book dealing with the practical and financial issues involved in closely held businesses or the psychological dynamics of closely held business relationships and of business divorces. This book is the result.

—Stephen H. Knee