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Business Law Case Study

The Sole Proprietor

On February 23, 2010, John Ross, senior partner of the law firm, Ross & Simmons LLP in Oakville, Ontario, picked up a phone message from Vincent Serrano, auditor for his client, Williams Furniture Inc. Vincent told John that the company's sole owner and director, 74-year old Doris Williams, had a mental breakdown at the office and had been admitted to hospital. With three large transactions requiring Doris' approval due to close at the end of the week, John wondered what he was going to do.

The Lawyer

John Ross, a business lawyer called to the bar of Ontario in 1976, had practised for twenty years at Ross & Simmons LLP, a national business law firm. His practice focused on mergers and acquisitions, corporate finance, major project organization, corporate reorganization, and commercial real estate, and he acted for several business owner-managers and their Boards of Directors. John had represented Williams Furniture Inc. ("WF") and its sole owner and director, Doris Williams, for the past fifteen years.

The Clients

WF was a private furniture manufacturing company with operations spanning six provinces from Quebec to British Columbia. It had 300 employees in Ontario alone. Doris Williams, the sole shareholder and director of WF, had inherited the business in the early 1970's after her parents died. She never married and did not have any children. Her older sister, Margaret, age 76, a widow with no children, was neither interested nor involved in the company.

In 2008, on John's advice, Doris appointed a management team consisting of Vice-President of Finance, Vice-President of Operations, and Vice-President of Sales and Marketing. She also retained a chartered accountant, Vincent Serrano, who acted as the auditor for the company. The management team had all the skills required to run the company, but Doris was reluctant to delegate high-level decision-making power to them. Prior to her breakdown, the members of the management group offered to purchase 33.3% of the company's shares and negotiations had begun.

Doris' breakdown came at a particularly bad time because WF had three large transactions pending, acquisitions requiring Doris' approval, and the first was scheduled to close on February 26. If one of the transactions failed to close, the company would not be in jeopardy, but if all of them failed, WF would suffer severe financial consequences.

The Breakdown

Two weeks previously, John received a call from Doris, who was driving from her home to her office. She was highly agitated, saying “I’m having a nervous breakdown! I’m having a nervous breakdown! I’m having a nervous breakdown!” She told John, “I just want to end it” and asked him to come and see her. John persuaded her to turn around and go home and said that he would meet her there as soon as he could.

When John arrived at Doris’ house, she was distraught and disoriented. He tried to engage her in making a list of steps to be taken with regard to the company’s upcoming transactions, but she was not able to give him a logical response. She kept saying, “I just want to end it” and John was not sure if she was referring to her life, her company, or both. John considered calling the police to take Doris to hospital, but did not want to take the risk of her being involuntarily committed, so he persuaded her to let him drive her to hospital himself. After a long wait in the emergency room, Doris was seen by a young doctor who gave her anti-anxiety medication and kept her under observation until her heart rate and blood pressure returned to normal. When the doctor determined that Doris was not going to harm herself, she was released from hospital and John drove her home at approximately 1 p.m. John had to return to the office that afternoon, but he called Doris to check on her between appointments. He knew that Doris’ sister, Margaret, was coming home from Florida that evening and that Doris planned to pick her up at Pearson airport in Toronto. He pleaded with her not to drive, but she did so anyway. He also advised Doris to tell Margaret about her breakdown, but she refused. Later that day, John arranged for Doris to see a psychiatrist the next morning.

At 2 p.m. on February 23, Margaret called John and said that Doris had finally revealed to her that she had had a breakdown. She was very worried about her sister and wanted to know what John was doing to help. John explained that he would have to obtain consent from Doris before he could talk about her affairs with Margaret. One hour later, Vincent called to say that Doris had a “complete meltdown” at the office and had just been admitted to hospital. He told John that he noticed she had not been herself for a few days. When he tried to discuss anything with her, she became confused and unable to concentrate.

Conclusion

This was the first time in his career that John had to deal with a client who was having a mental breakdown. He doubted that Doris would respond well to any attempts that he or anyone else tried to impose upon her. John was concerned about Doris on a personal level, but he also needed to fulfil his professional obligations to the company.