KATALYST ADVISORS

FROM FOUNDER TO FRAMEWORK · PART 7

Four Events Will Test Every Family Structure. Few Are Planned For.

The 4Ds Stress Test

Death, Dispute, Disability and Divorce

Events | Exposure | Design

The Events
Four Ds in Every Generation

The Exposure
Personal Holding Bears the Risk

The Answer
Designed Before the Event

Swipe →

01
THE 4Ds

Four Events Test Every Family Structure

Death

Changes the shareholder map and brings in heirs who receive voting rights without being prepared to use them.

Dispute

Turns a difference between members into litigation that can freeze the company's decisions and transactions.

Disability

Leaves ownership unchanged in law while the person who exercised it can no longer act in fact.

Divorce

Exposes a personally held stake to the claims of a spouse who has no role in the enterprise.

Predictable, Not Exceptional

Each of the four will occur in a family over a generation, so, the structure is tested against all of them in advance.

02
DEATH

Death Redraws the Shareholder Map

Equal Shares Among Heirs
FRAGMENTATION

A 60% holding that passes equally to three children becomes three holdings of 20%, none of which controls the company.

Heirs Without a Role
GOVERNANCE

Heirs inherit voting and information rights whether or not they work in the business or have been prepared to govern it.

Nominee or Legatee
NOMINATION

A nominee holds shares for the heirs or legatees and does not own them, so a nomination at odds with the will invites dispute.

The Interval
TRANSMISSION

Until the estate is settled and the shares are transmitted, the holding is in transition and control can be contested.

Control Divides with the Shares

Intestacy and an equal will both spread the holding across heirs, unless a structure holds it together.

03
DISABILITY

The Owner Is Present but Cannot Decide

Ownership Without Authority

THE GAP

Legal ownership does not change, but the person who exercised it can no longer act, sometimes for months or years.

Silent Until Death

THE WILL

A will operates only on death, so it says nothing about who acts for the owner during the period of incapacity.

A Fragile Bridge

AGENCY

Agency ends if the principal becomes of unsound mind, and a power executed when capacity was in doubt is open to challenge.

In Some Respects, Worse Than Death

Death begins a defined process; incapacity leaves an open and uncertain period.

04

DISPUTE

A Difference Becomes a Petition

A Modest Stake Is Enough

OPPRESSION

A member with 10% of the issued capital can petition the NCLT under sections 241 and 242, and the tribunal can waive even that.

Decisions Frozen

INTERIM ORDERS

Interim orders can restrain voting, share transfers and major transactions while the petition is heard.

Every Dealing Examined

DISCLOSURE

Related party transactions, inter-corporate loans and board minutes across the group come under the tribunal's scrutiny.

No Way to Decide

DEADLOCK

Where decisions need joint consent and there is no tie-breaker, one disagreement can stop the company from acting.

Expected, So Designed For

Disputes and deadlock are predictable in a family system,
So, the way to resolve them is agreed before they arise.

05
DIVORCE

A Stake Becomes the Subject of a Claim

WHAT PERSONAL HOLDING EXPOSES

The member's shares form part of the assets against which a spouse's claim is pursued.

The claimant has no role in the enterprise and no stake in its continuity.

The logic of the claim is realisation, which strains transfer restrictions and control.

WHAT DESIGN CAN DO

Shares held through a trust are not the beneficiary's personal assets.

Discretionary distribution and anti-alienation terms make the beneficial interest far harder to reach.

Courts look at timing and intent, so the structure is settled early and in good faith.

Protection Depends on Timing

A structure settled in harmony holds better than one put in place once a claim is in view.

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The Takeaway

Death, dispute, disability and divorce will each occur over a generation, so the structure is tested against all four before it is signed.

Death	Ownership held so that a death does not change who holds and votes the shares.
Dispute	Decision thresholds, a tie-breaker and a dispute ladder agreed in advance.
Disability	A trustee body or holding structure that continues to vote when an owner cannot.
Divorce	Ownership kept off personal balance sheets, settled early and in good faith.

Each event falls on particular members in particular ways.
The next question is who in the family is exposed, and how.

NEXT → Active and Passive Members