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Staffing Firm Partners Separate, Sue Each Other

by John Callegari

Breaking up is hard to do. It's especially hard when breaking up is tied up in a legal action.

The two partners at Jericho-based Essential Nurse Staffing are involved in a bitter dissolution suit after one of the partners left and created his own nurse recruiting and staffing firm, taking the former company's business with him, the other partner said.

As a result, Shimon Babaew, one of the co-owners of Essential Nurse Staffing who was responsible for recruiting nurses and developing customers, sued his business partner, Edward Shteyman, for breach of fiduciary duty and looting of corporate assets.

Shteyman, who was in charge of financial matters for the corporation, created competing Meridian Nurse Recruiters in February before diverting Essential's business to the new company by telling customers it had changed names, and soliciting the original company's nurses to work for Meridian, Babaew alleged in court documents. Rather than just seek dissolution of the company though, the matter took a messy turn.

In the legal action dating back to March, Babaew sought to impose a constructive trust on Shteyman's half of Essential Nurse Staffing, appointing himself as receiver of that trust and granting himself sole ownership over all of the assets of the corporation, which includes trade secrets, confidential information and company records. Shteyman responded by seeking a similar action, granting himself as receiver

of Essential Nurse Staffing and restraining Babaew from intentionally interfering with Meridian Nurse Recruiters' contractual or other business relationships.

But Supreme Court Justice Stephen Bucaria, who ruled on the case in May, wasn't buying it.

"The appointment of either party as the receiver of the corporation gives an undue advantage to that party," Bucaria said, prior to denying both motions. "It is clear that the shareholders of Essential Nurse Staffing are deadlocked and dissolution would be beneficial to the shareholders."

However, Bucaria did not grant Shteyman's motion for an order dissolving the company, since no public notice had been made as pursuant to business corporation law.

In denying the motion for dissolution, however, Bucaria did leave open the possibility for a future dissolution, as long as the public notice requirement had been met.

Bucaria's ruling left several loose ends untied, such as whether Babaew was entitled to damages and whether Essential Nurse Staffing would indeed be dissolved. The case is now being brought before the appellate court for a final say.

"There will be a dissolution of the company," said Michael Schulman, founding member of Michael Schulman and Associates, who is representing Babaew. "It's just a matter of how they're going to divide it. It's just like a divorce in which both sides have to decide who gets what."

Michael Cardello, partner with Garden City-based **Moritt Hock & Hamroff**, said it isn't unusual for a corporate dissolution to be long and drawn out like this, especially when one or both parties feels slighted by the other.

"As acrimonious as a divorce between husband and wife can be, a business dissolution can get just as bad," said **Cardello**, who is also chairman of the Nassau County Bar Association's Commercial Litigation Committee. "I've had similar cases go on for over two years. If everyone gets along and wants to move on it could move much faster, but that's not very common."

Until there is a solid resolution to the matter, Schulman said both sides are still operating their businesses.

"[Essential Nursing] is still around, although it's operating at one-fiftieth of what it used to be," Schulman said. "[Meridian] co-opted the business right out from under them."

Legal representation for Meridian Nurse Recruiters, which is based in Elmhurst, Queens, did not return requests for comment.