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## HOW TO GET RID OF A 50 50 BUSINESS PARTNERSHIP

*Every exit has unique dynamics that dictate our approach in engineering a successful sale. In this series, we explore challenges and solutions to common situations.*

[Ready to end your business partnership? Learn how Exit Consulting can help.](#)

### **When Business Partners Split**

It can be bitter, sweet, or a combination of the two. What we know for sure is that just as no two partnerships are alike, each partnership exit process is unique. Engineering a successful business exit requires an ability to think through possible solutions. Furthermore, working with family members, spouses, and longtime business partners calls for an abundance of emotional intelligence to navigate

the exit without hard feelings towards the relationship. Our approach includes both; we enter each client meeting with the understanding that:

## **Emotions Are Everything**

The emotional environment is key to designing an exit that works for all parties. Is the business partners' relationship in a good place or a bad place, or is it no longer beneficial? Is the company making money, or are costs piling up? There are certainly advantages to an amicable underlying sentiment and a stable business. The question then becomes, are they going in the same direction? Where a conflict exists, we simply need to address it—not try to tip-toe around it. Emotion is one of the most trying factors in selling any business, especially one that includes several other partners, and ignoring emotion can be the worst choice a business partner makes in the midst of a split.

## **Partner Roles Are Critical**

Sometimes, equal ownership business partners work together in such a way that one could conceivably continue to run the business on their own. Others have responsibilities in one area of the business that is crucial to the company's success and, therefore, indispensable; for example, when one business partner drives 90 percent of sales and another runs daily operations. During a partnership buyout, we help by considering projected performance post-close, without the partner(s), to decide whether and how to separate the company.

## **Deal Price and Structure Are Crucial**

In most cases, partners fail to agree on price, creating an opening argument. The deal structure can become a point of contention as well. Buying out a partner with company profits can leave the business depleted for the remaining partner(s). If businesses don't have profits to draw from, successfully engineering the sale entails increased creativity.

In any event, we know one thing: failure is not an option. We have to make it work—for the partners, for their families, and for the business. It is so much more than a split; it is Exit Engineering® on a human level. We are every bit as ready to help mediate as we are to orchestrate.

## **How do you end a 50/50 partnership?**

Ending a 50/50 business partnership is not as simple as cutting operations and closing your doors – however, it doesn't have to be wildly complicated either. When business partnerships dissolve, the individuals involved in the relationship cease to be partners in a legal sense. Even then, the partnership will continue until all of the business debts are settled, the business' legal existence is terminated, and all of the company's remaining assets have been distributed.

All in all, there are five key steps to take when looking to end your 50/50 business partnership.

- **Reviewing Your Partnership Agreement.**

The first step is to review the partnership agreement. Suppose either you or your partner chooses to end the business relationship. In that case, you will have to review the legal partnership agreement to make sure you properly follow the protocol listed in the document when ending the partnership. Typically, some kind of majority vote to dissolve the business is required in the agreement.

- **Discuss the Choice to Dissolve With Your Partner.**

You started this business with your partner, so you should find time to have an open and honest discussion with them about ending it. Both you and your business partner need to schedule important meetings to talk about obligations – things like future liabilities and the business's debts, and how you plan to transition out of the business.

- **File a Dissolution Form.**

You'll have to file a dissolution of partnership form in the state your company is based in to end the partnership and make it public formally. Doing this makes it evident that you are no longer in the partnership or held liable for the costs of its debts. Overall, this is a solid protective measure.

- **Notify Others.**

Other things to consider are your relationships and present obligations to others in the business environment. Make sure to inform your employees, customers, landlord, government entities that have issued a license or registered your business, and any other involved party of the dissolution of the partnership.

- **Settle and Close Out All Accounts.**

Tell your creditors about the dissolution of the partnership as well. Before you finalize the dissolution, you will want to make sure that all of your debts are paid. Then, close all business bank accounts and distribute all assets according to the partnership agreement. Contact a business attorney for legal advice if you don't have enough buyout funds to pay the partnership debts and liabilities. Having a strong attorney-client relationship may be crucial to the success of your effort, and a good lawyer can give you a better idea of your options.

## **Can I force my business partner to buy me out?**

If you're planning on leaving your business, but your partner doesn't want to buy out your shares in the company, you may be left scratching your head when it comes to your options. In legal terms, your business partnership is a single entity, and thus, the situation can become increasingly complicated when one business partner pushes to sell, and the other person refuses. The question of whether or not you can force your partner to buy out your shares falls largely on whatever is outlined in your written partnership agreement. Written agreements are usually formed at the inception of the business and discuss the duties of each partner and profit distribution percentages, which may or may not be the same number. Most partnership agreements have buyout or sellout provisions that specifically

outline how the two individual partners should handle these situations. Usually, these buy/sell provisions will give a partner a choice on whether or not to sell their ownership interest. However, in other cases, the document may say that one partner can buy the other out if specific requirements are met. Your ability to force your partner to buy you out of the business partnership depends on the partnership agreement. Check your agreement to see what needs to happen when one of you wants to leave the business.

## **Can a 51 owner fire a 49 owner?**

Some partnership agreements allow the majority owner to fire the minority owner. These decisions can be documented in the agreement and are enforceable. Nevertheless, majority owners are not allowed to fire minority owners or force them to sell without this type of agreement. However, majority owners can make life incredibly miserable for the minority owner, ultimately forcing them to sell.

To give an example, if the minority owner is employed by the business itself, the majority owner would be able to terminate that employment. Due to the fact that one of the key benefits for minority owners in a small business setting is employment, this can take away the main reason for the minority owner to remain invested. To put it simply, a 51 owner can make the 49 owner want to leave the business.

There are, however, some legal protections for minority owners when it comes to abuses by majority owners. Either way, both parties should consult with a business or corporate attorney to better understand their legal rights and the best course of action.

## **FAQ's**

- **How do you break up a 50/50 partnership?**
  - Partners in a 50/50 partnership are able to break up the business partnership at any time. There are a number of legal and financial obligations to consider before ending a partnership, but personal history

and relationships between partners are important to address first.

- **How do I remove a business partner from a partnership?**

- Business partners can be removed from a partnership by enforcing a partnership dissolution agreement. This agreement should be drafted ahead of time, and as much planning should be put into the decision as possible.

- **Can you terminate a partnership?**

- Although we are not attorneys, you can terminate a partnership by formally announcing the end of the partnership and filing a dissolution of partnership form in the state in which your business is based. Be sure to consult with your attorney before proceeding with any partnership termination.