

WHAT FACTORS SHOULD YOU CONSIDER IN STARTING A BUSINESS WITH A PARTNER?

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One of the bravest and most difficult decisions a person can make is decide to go into business for him- or herself. The second bravest and most difficult may be the decision to go into business with a partner. Taking on a partner in many ways is like getting married, so it's important to know what questions to ask and decisions to make prior to tying the "business marriage" knot.

There are three basic areas to consider in creating a business partnership: (1) getting in; (2) making it go; and (3) getting out. Thinking about each of these areas before you create the partnership can save a lot of headaches down the road.

The issues to discuss about "Getting In" include the basic issues of ownership and authority. Who owns what percentage of the value of the business? Who is entitled to what percentage of profits from the business? Who gets to decide who is running the business, if new partners are to be allowed to join and when to sell. If authority is equal, how do you break a deadlock on key decisions?

The "Making it Go" issues are the operational issues. Who writes the checks and pays the bills? Who does the bookkeeping and empties the trash? What are each partner's duties and who decides if they are performing well enough? And what happens if a partner isn't pulling her or his weight? Are family members allowed to join the company? Who does the hiring and firing? Is there a type or dollar amount at which decisions must be unanimous? Who decides what business to chase and what to business to avoid?

The "Getting Out" part is the guide to your business divorce. If you stop loving your partner (or even liking him or her) who gets to decide that it's over? Who gets to keep the children (i.e., your business or parts of your business)? Does someone have the right to buy or sell or make a take it or leave it offer? What are the terms of the property settlement? Is there a mechanism for setting the price for a buy-out and if so what are the terms? If a partner is not performing her job, can she be fired and forced to sell?

Sometimes business advisors start with the question of whether you want your new business to be a corporation, limited liability company or a partnership. However, you can't really know the correct answer without first answering the questions above. Your answers should be the guide that tells you which entity you are best suited for. Always ask and answer these questions before you tie the "business marriage" knot.