Like all human relationships, business partnerships have their ups and downs. When things are going well, everyone is happy, and business usually booms. When things are not going well, however, even little disagreements can blow up into major disputes and business will often suffer for it. What are formerly happy business partners to do when they find themselves in the unfortunate cycle of ongoing and seemingly unsolvable disputes with one another?

Several options for resolution are available:

1) **Mediation.** With the help of a neutral, third-party mediator, business partners who wish to remain in business together can work through communication difficulties and differences of opinion regarding how their business and relationship should work. An objective mediator can facilitate healthy communication and decision-making between business partners, to put them on the path to a stronger partnership. Mediation is often an inexpensive way to identify and overcome negative communication cycles, to define goals and responsibilities and to agree to a resolution that the parties have mutually participated in crafting.

2) **Buy-Out.** If business partners have concluded they truly can no longer work together, but nevertheless want the business itself to continue, it is possible for one or more of them to be bought out by their other partners. If a buy-sell agreement was executed when the partnership was first formed, the parties should follow the procedures set forth in that document. If no buy-sell agreement exists, the first step will often be to have a valuation of the company completed so the parties understand what their interests are worth. It will then be necessary to negotiate who will be bought out and the terms under which the buyout will occur. Involving legal counsel in the negotiation and execution of any such buy-out is critical.

3) **Sell Out to New Owners.** Sometimes it will become apparent that neither business partner wishes to remain in the business, even where the business is still a viable and going concern. In this situation, it may make sense to look for a buyer who will purchase all partners’ interests in the company. Buyers can be found among existing employees, competitors or through business brokers. Again, a current valuation of the company should be obtained and hiring legal counsel to help with the transaction is important.

4) **Freeze-Out Merger.** In situations where the business partnership interests are not equal, majority
owners can “freeze-out” minority owners by conducting a merger with a newly created company owned by the majority owners. In this situation, the minority owners are forced out of ownership, but are paid fair market value for their interests. Freeze-out mergers are governed by statute and precedential court opinions. Obtaining the services of a business attorney who has experience conducting such transactions will be necessary.

5) Dissolution – Voluntary or Judicial. In some circumstances, it will become apparent that salvaging the business and the relationship is simply not feasible and dissolution of the corporate entity will be the preferred path. If the parties can agree to voluntarily dissolve the company, it may be as simple as filing the necessary paperwork with the State, paying off creditors, selling remaining assets and distributing any proceeds according to partnership interests. But sometimes even agreeing on dissolution is impossible and seeking help from the courts will be required. Statutory law allows for judicial dissolution of a company by filing a lawsuit. When judicial dissolution happens, the parties lose control over the dissolution process and simply must abide by whatever the judge decides.

6) Bankruptcy. Not surprisingly, disputes between business partners often arise because of dire financial circumstances facing their company. When the liabilities of a company exceed its assets, it is insolvent. Instead of continuing to wallow in debt that will likely continue to increase, an insolvent business may find that filing for bankruptcy is the best option. In some situations, bankruptcy will allow the business to restructure its debt and continue to operate. In others, full liquidation of the business may be the only option. In either case, hiring a reputable and experienced bankruptcy attorney will be necessary to navigate the complexities of the bankruptcy code.

7) Litigation. Occasionally disputes between partners result from misconduct by one or more of them. Breaches of fiduciary duties, misappropriation of assets, fraud, and failure to satisfy obligations and responsibilities are just some of the scenarios that can result in lawsuits between business partners. Filing a legal cause of action against business partners who have violated their obligations to their other partners and/or the company can result in awards of financial damages to the injured parties. Experienced litigation counsel should be consulted to analyze potential claims and to file any such legal actions.

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National Law Review, Volume XI, Number 152

Source URL: https://www.natlawreview.com/article/7-options-resolving-partnership-disputes