

Going into Business with Others

The Issue

Going into business with others is usually easy – getting out when the relationship sours can be a nightmare. Consider these questions or situations.

- Do you have an agreement?
- In writing?
- Who gets paid, how much, and what for?
- What if you want 3 months off?
- What if I don't want to work in the business?
- Who's in charge?
- Who decides what?
- What if I want to take my money out
- and head off into the sunset?
- What if you want to sell and I don't?
- What if we need to borrow money?
- What is security for the loan?
- What if I put up more assets than you?
- Can I get a dividend?
- You want to spend how much on a car for you?
- For your wife?
- What happens if one of us dies?

What we do for you

As an impartial professional adviser who is not carried away with the emotion of the business, we believe we can help all parties avoid disaster by providing the right advice to guide the partnership through good times and bad times.

The rules of engagement need to be established before commitments start to be made.

The list of issues and questions set out above should be a solid thought-provoker. These are everyday issues when there is more than one owner of a business. And different business structures make the answers to some of these questions more difficult to answer.

With our experience in dealing with many kinds of partnerships, we can:

- a. Walk the partners through the issues that need to be addressed and provide alternative approaches.
- b. Aid the discussion between the parties on each of the issues and assist in determining what will work in the various circumstances.
- c. Suggest compromise or compensation where one party has a different outcome to the other that is not desirable.

- d. Advise on the right structure to use, based on the project and intentions.
- e. Raise complex but necessary issues for discussion – buy/sell agreements, tag-along clauses, restraints of trade, capital contributions, sweat equity, valuations, exit clauses, to name a few.
- f. Provide a concise brief to your legal advisers to draw the necessary agreements – partnership agreement, shareholders or unit holders agreement, management agreement, employment agreement, and other agreements to cover unique situations. This will ensure that first drafts are focused documents rather than broader and help to reduce the work required to then tailor agreements.

The Benefits

The benefits to you are:

- 1. Prospective partners are made aware of many issues that should be considered and what partnership is all about.
- 2. Partners gain security from the higher level of certainty around the relationship in a variety of circumstances.
- 3. With more issues on the table, each partner will approach the relationship with a greater understanding of consequences that can flow from different actions.
- 4. Staff can gain clarity if the different roles of partners is established and made public. This can aid efficiency and avoid conflict.
- 5. Guidelines will be set down around financial reward, communication, roles, and acceptable behaviour.
- 6. Disentanglement, if it is to happen, can hopefully be less painful and less drawn out.
- 7. If the relationship sours, then hopefully the rules will help keep a lid on the exit process because the rules have already been set down.
- 8. If it goes to court, there is solid documentation in place to be presented to and assessed by the courts.

What's next

Contact UHY to arrange a discussion about how we can best assist you. Connect with us and connect to possibility.