



Untying Your Business Knot: 7 Tips for Executing an Amicable Business Divorce

The ending of an LLC or business partnership can be rife with conflict—but it doesn't have to be. No matter what has caused the partnership to end, from different work styles or divergent business goals to disability or early retirement, an amicable business split is in the best interests of all involved parties.

Maintaining a professional and solution-focused attitude can help remaining members limit their financial losses while allowing you to leave the business and avoid liability. These tips can help you negotiate a business divorce without burning bridges on your way out.

1. Only Negotiate When All Parties Are Calm

No matter how carefully you bring up your intention to dissolve a partnership/LLC and pursue other goals, you can expect emotions to run high. Other LLC members may view your departure as a direct reflection of their business abilities, your trust in them, or your perception of the company's success. Trying to negotiate while they are still accepting your departure is a recipe for disaster.

After you tell them about your intent to leave, give them time to think about the future of the business and the direction they want to take. Decisions are best made when everyone can come to the negotiating table calm and collected.

Maintain this standard throughout the dissolution process. If someone becomes heated during discussions or negotiations break down, don't be afraid to take a break, take a step back, and allow everyone to cool down before resuming.

2. Thoroughly Review Your Contracts

Before you meet with your business partners, have your attorney do a thorough review of your LLC contracts. These contracts should lay out exactly what responsibilities you have to the business and what conditions must be met for you to leave the company.

If you and your business partners planned ahead for a possible dissolution, your contract terms may allow for a peaceful and amicable split that does not put excessive financial pressure on anyone. This is one reason that carefully-written business contracts are crucial when establishing an LLC. Planning ahead for a possible dissolution can make the road much smoother if a dissolution actually occurs.

3. Get a Business Valuation

Unless all of your business partners want to dissolve the business, it's likely that a buyout will be necessary. Once a business divorce is on the table, all parties may become distrustful of each other. This is normal, since everyone expects others to act in their own best interests, not the best interests of the company. A business valuation from a neutral third party can put everyone on an equal playing field.

4. Decide What Matters Most and What You Can Negotiate On

Entering negotiations with a rigid idea of what you expect to leave the business with may leave you disappointed and fracture your relationship with your business partners beyond repair. You cannot expect to get everything you want when you reach the negotiating table, so instead, set aside time with your business lawyer to figure out what matters most to you. You can figure out which terms are non-negotiable and which terms you are willing to compromise on.

Entering negotiations with the goal of finding mutually beneficial solutions can help the process go much more smoothly. Your business attorney will be able to advise you on which outcomes are likely and what you should prepare for.

5. Don't Let It Turn Personal

As noted earlier, business divorces can quickly become personal, particularly if there was friction between partners prior to the decision to split. It can be difficult for involved parties to avoid bringing that friction into business discussions. Do everything in your power to avoid personal attacks or anything that could make the other party/parties feel defensive.

If your partners feel that you are leaving the business because you believe they're incompetent or unable to make the business succeed, they may be unwilling to negotiate with you. This could lead to higher legal bills for everyone. Even if you are distrustful of your partners or they do have personal shortcomings that led to the business dissolution, keep that to yourself. Maintain your professionalism at all times.

6. View the Dissolution from All Sides

It's common for people initiating a business divorce to enter the process with tunnel vision. You may be so focused on what you have given to the business

and how you have contributed to its growth that you fail to see what your business partners are experiencing. They too have business goals and they want to protect their interests as you negotiate the separation process. This doesn't mean you have to sacrifice what matters to you to appease them. It simply means that understanding their viewpoint can make discussions easier and more productive.

7. Turn to an Attorney to Negotiate the Split

No matter what, you need an attorney to advise you on all matters regarding the dissolution of a business. Even if everyone has remained amicable and is on the same page, failing to file the proper documents and agreements could leave you with business debt or liabilities. Working with an experienced business attorney can help you feel confident that you are covering all your bases, protecting your best interests, and taking the right steps to prepare for your future.

When a business dissolution is the best step for you, the process of terminating a partnership can be challenging. However, keeping these tips in mind can help you navigate the process and move through this transition with ease.

Whatever your plans are for your future—retirement, a new career path, the creation of a new business—you do not want to start the next stage of your life with baggage from your old partnership. Working with the team at Monahan Law Firm, PLC can help you minimize your financial losses while leaving a business and ensure that you do not take on any unnecessary liabilities. Prepare for an amicable business divorce and productive negotiations by contacting us now. You can fill out our online contact form or call us at 623-385-2190.