

BUYING OUT A PARTNER: A CHECKLIST OF ISSUES TO CONSIDER

All business partnerships end eventually. If nothing else, death or retirement will eventually end a partnership. What follows is a checklist of issues to be considered when buying out a partner. This is a generic issue to get your thinking started. It can be used in friendly and hostile buyout situations.

1 Background and Personal Issues

- 1.1 What kind of business is it? Is it incorporated? How long has it been going? What are its dimensions (annual sales, number of locations, number of employees)?
- 1.2 Who are the partners? What do they each bring to the table now? What have they brought to the table in the past? Who or what is triggering the split up? Why?
- 1.3 The extent to which this will be amicable. Why or why not.
- 1.4 The legal/share structure of the business, including number and type of shares and any special attributes.
- 1.5 Is there a shareholders' agreement? What does it say?
- 1.6 Current company accountant and professional advisors.
- 1.7 Potential mediators or third party intervenors.
- 1.8 Involvement or interference of other third parties (e.g. spouses, family members, friends).
- 1.9 Ability and willingness of partners to talk face to face. Now, or at some future time.

2 Valuation Issues

- 2.1 Current financial situation of the business.