

BUYING OUT YOUR BUSINESS PARTNER(S)

By John L. Nelson

So, you want to own it all. Before making your intentions known to your business partner(s) and/or key employees ask yourself the following questions and develop substantive, supportable answers.

- Q1. What is the fair market value of the business on the open market?*
- Q2. Can I afford to buy-out my partners, under what terms, and how will I fund the deal?*
- Q3. What are the ramifications of my partner(s) departure and how do I mitigate the impact?*
- Q4. How will the business model change and will it produce enhanced growth and profits?*
- Q5. Precisely why do I believe I can do a better job of running the company?*

Three typical partner buy-out scenarios' and their corresponding business rules follow.

I - Irrational emotions among disgruntled business partners frequently produce destructive outcomes, inevitably placing the company's welfare in jeopardy. Unfortunately, many otherwise brilliant entrepreneurs never consider the right questions, let alone develop well thought out answers.

Business Rule: The best prepared partner win's the battles and the buy-out war.

II- Buying out a business partner can also be a very pleasant experience. One partner may express an interest in retiring or simply want to pursue alternative interests. These ingredients generally produce an amicable, mutually beneficial agreement. *Business Rule: Structure the deal where everyone realizes their dream.*

III - Radical changes in a partner's circumstances; i.e., death, divorce, legal problems, etc., can "force the issue" on the remaining partner(s). Ownership, risks, functional responsibilities and rewards are the key issues (answer questions above). *Business Rule: A cool head will generally prevail.*

Unless you are experienced at buying out business partners, secure a qualified *business intermediary* to guide you through an otherwise perilous journey. Most entrepreneurs can not afford the luxury of guessing at the right answers when they are placing their life savings at risk. *Business Rule: Buy-out's are NOT a game of chance – outcomes are predictable.*