



# THE BEST WAY TO RUIN A GOOD THING

Ten Mistakes That Create  
Disputes, Provoke Conflict, Fuel  
Resentment, and *Ultimately*  
Destroy a Business Partnership



Partners come in with **the right mindset**



Partners clearly **communicate their expectations**

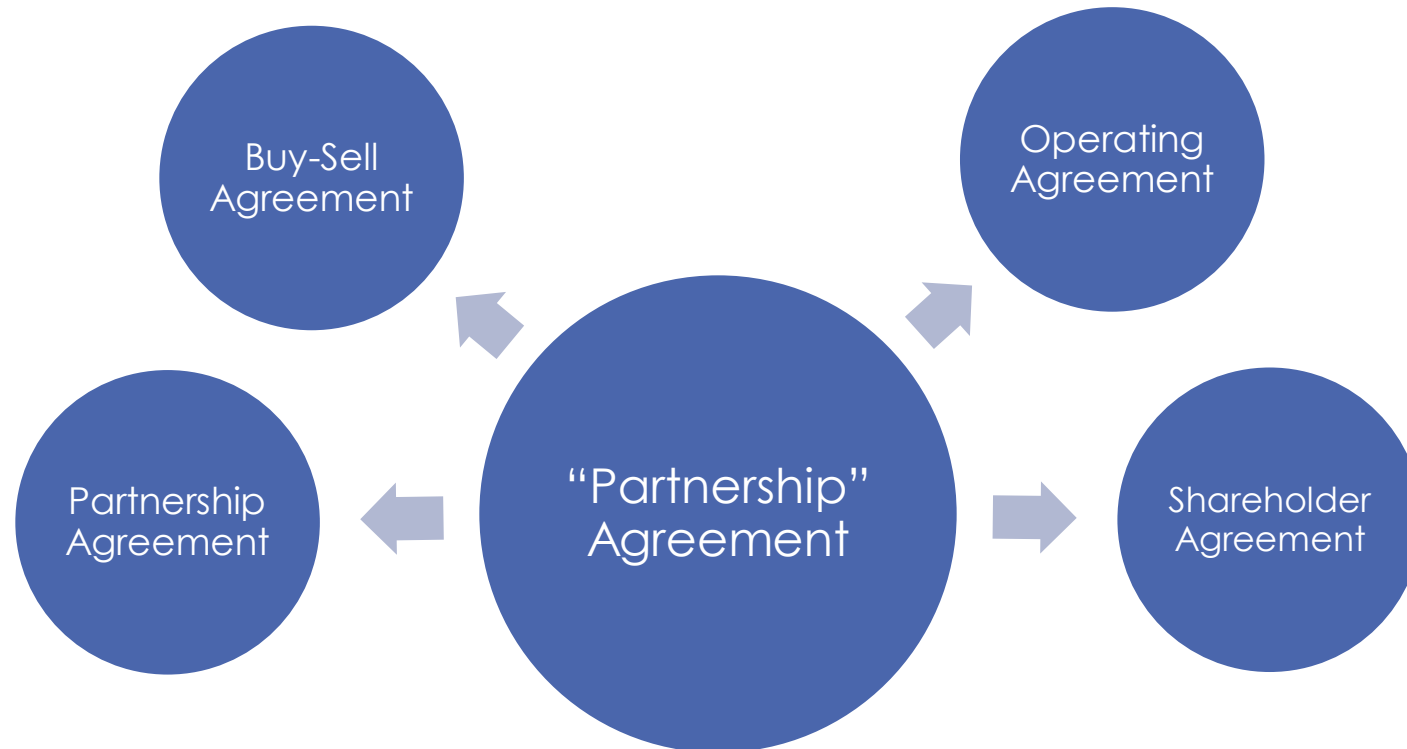


Expectations put into **written agreement** that addresses *all* key partnership issues

# THE BIG IDEA: STEPS TO A SUCCESSFUL BUSINESS PARTNERSHIP



# TYPES OF “PARTNERSHIP” AGREEMENTS



# MINDSET AND ASSUMPTIONS



Plan for the best, prepare for the worst



The *three* certainties in life



A leaky roof



Things change and memory is fickle





# No or *Accidental* Partnership Agreement

# NO PARTNERSHIP AGREEMENT

## FL statutes govern by default

- Not specific to your business
- Can change without you knowing

## Verbal contracts **do** exist

- No record of what was agreed to
- Cause issues down the road

## Accidental partnerships

- Agree or *intend* to work together for profit
- Open to liability of partnership
- Present themselves as partners





# Unsuitable Equity Allocations

# UNSUITABLE EQUITY ALLOCATIONS

## Even Split

- 50-50
- Risk of deadlock
- Are contributions *really* equal

## Almost Equal

- 51-49
- Seem equal, but majority always wins

## Neutral Tie Breaker

- 49-49-2
- Super minority has all the power



# UNSUITABLE EQUITY ALLOCATIONS

## Objective Equity Calculation



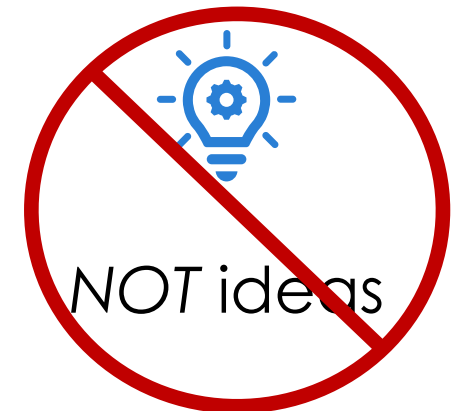
Cash



Property



Services





**MISTAKE #3**

# Omitting Key Types of Buyouts

# OMITTING KEY TYPES OF BUYOUTS

## Voluntary Departure

- Retirement
- Biz “Divorce”

## Involuntary Departure

- Expulsion

## “Sudden” Departure

- Death
- Disability
- Incapacitation





**MISTAKE #4**



# Deficient Buyout Valuation and Funding Processes

# DEFICIENT BUYOUT VALUATION PROCESS

## Third-party offer

- Minority ownership
- Dispute

## Certificate of value

- Failure to update

## Formula

- Certain businesses

## Full valuation

- Expensive

## Auction

- One cuts, one chooses



# DEFICIENT BUYOUT MECHANISM

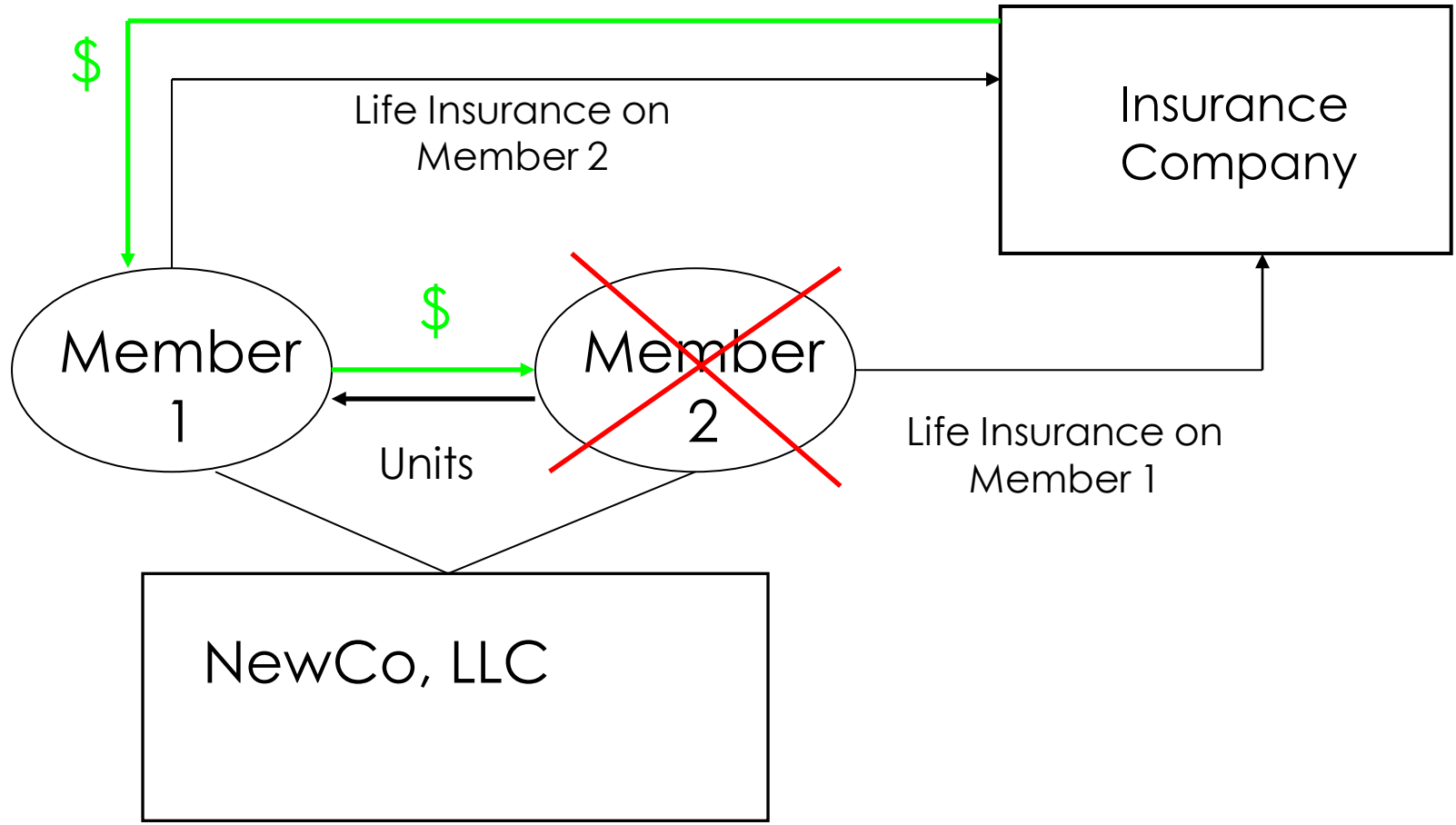
Cross Purchase

Redemption



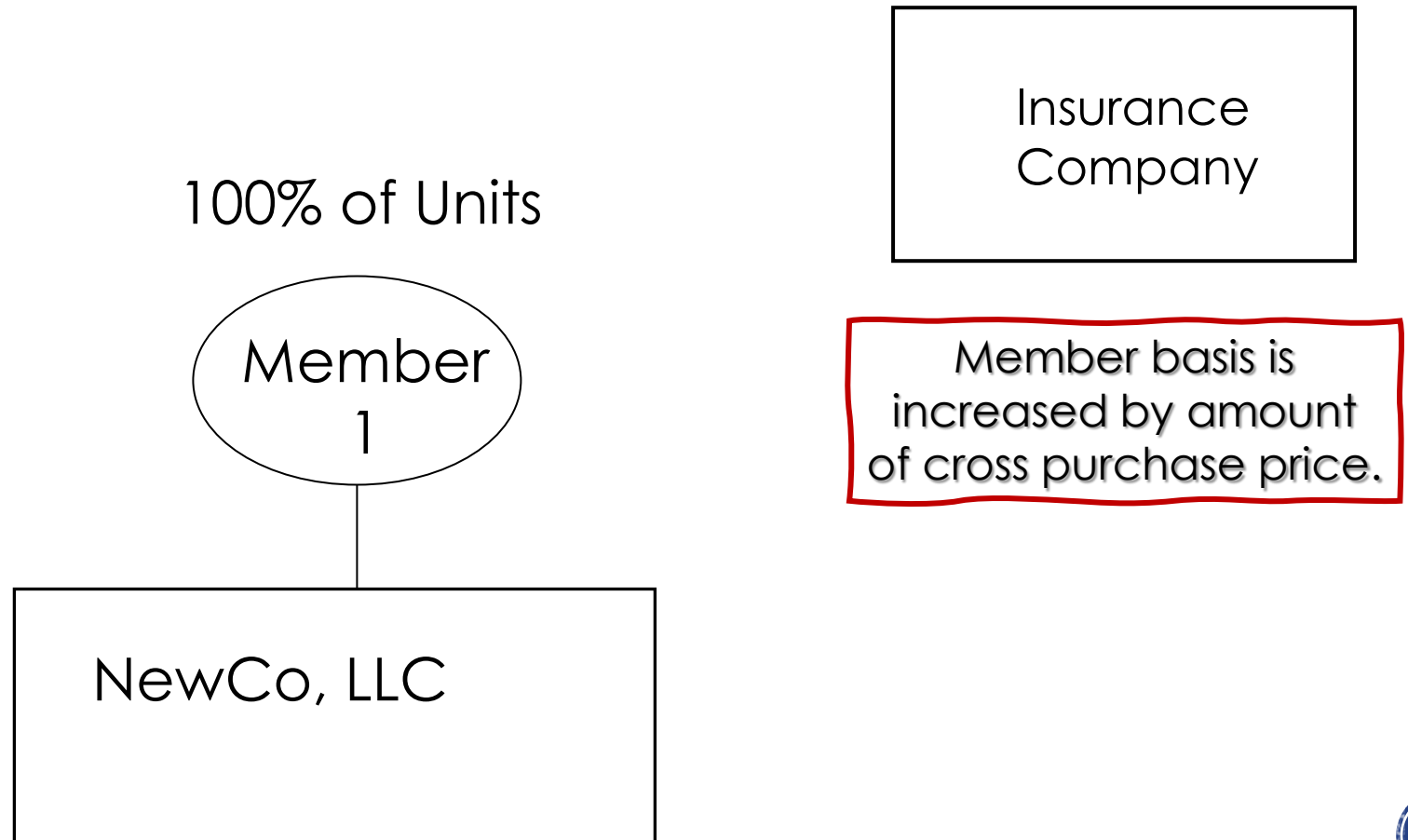
# DEFICIENT BUYOUT MECHANISM

## Cross Purchase



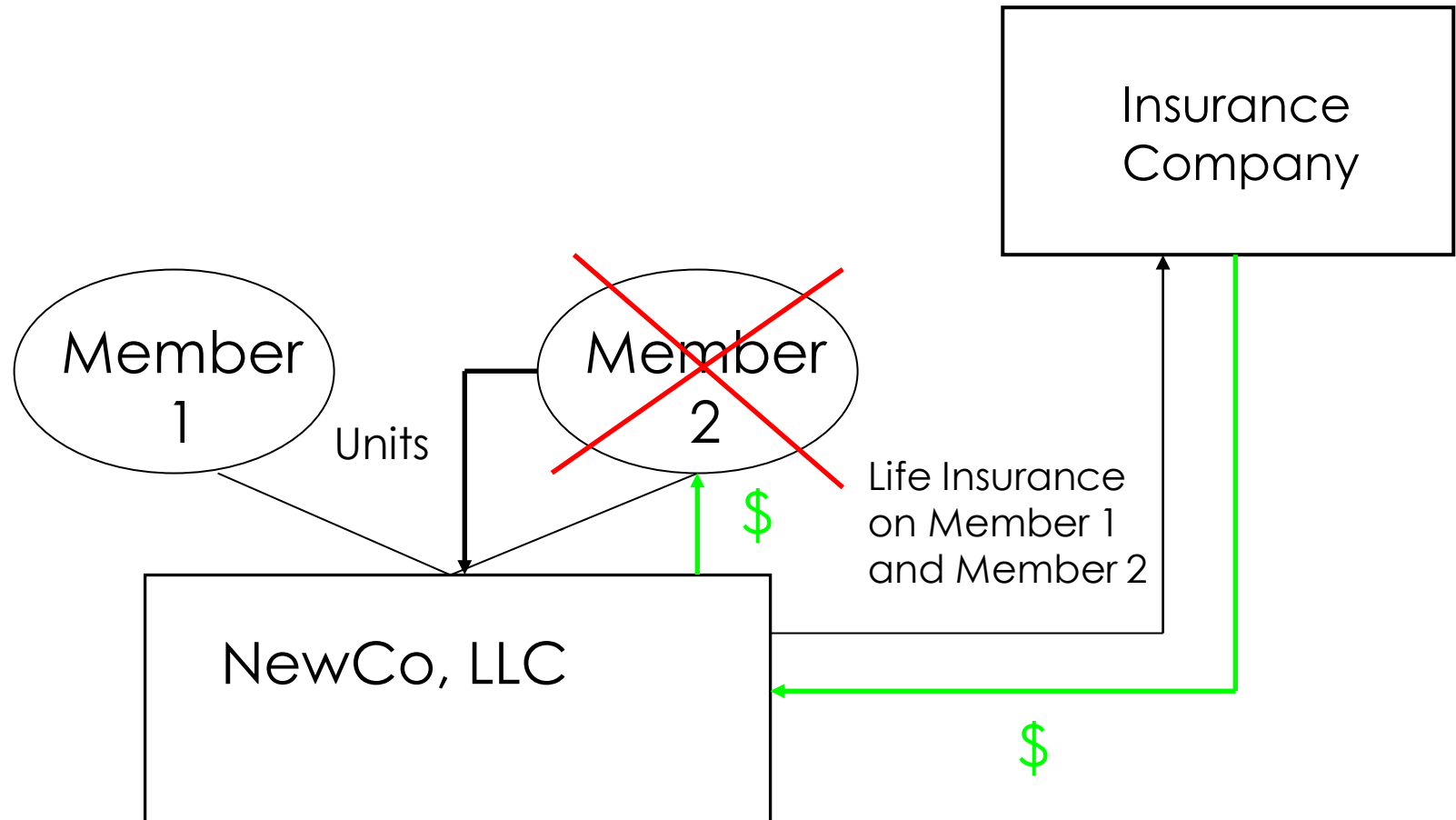
# DEFICIENT BUYOUT MECHANISM

## Cross Purchase



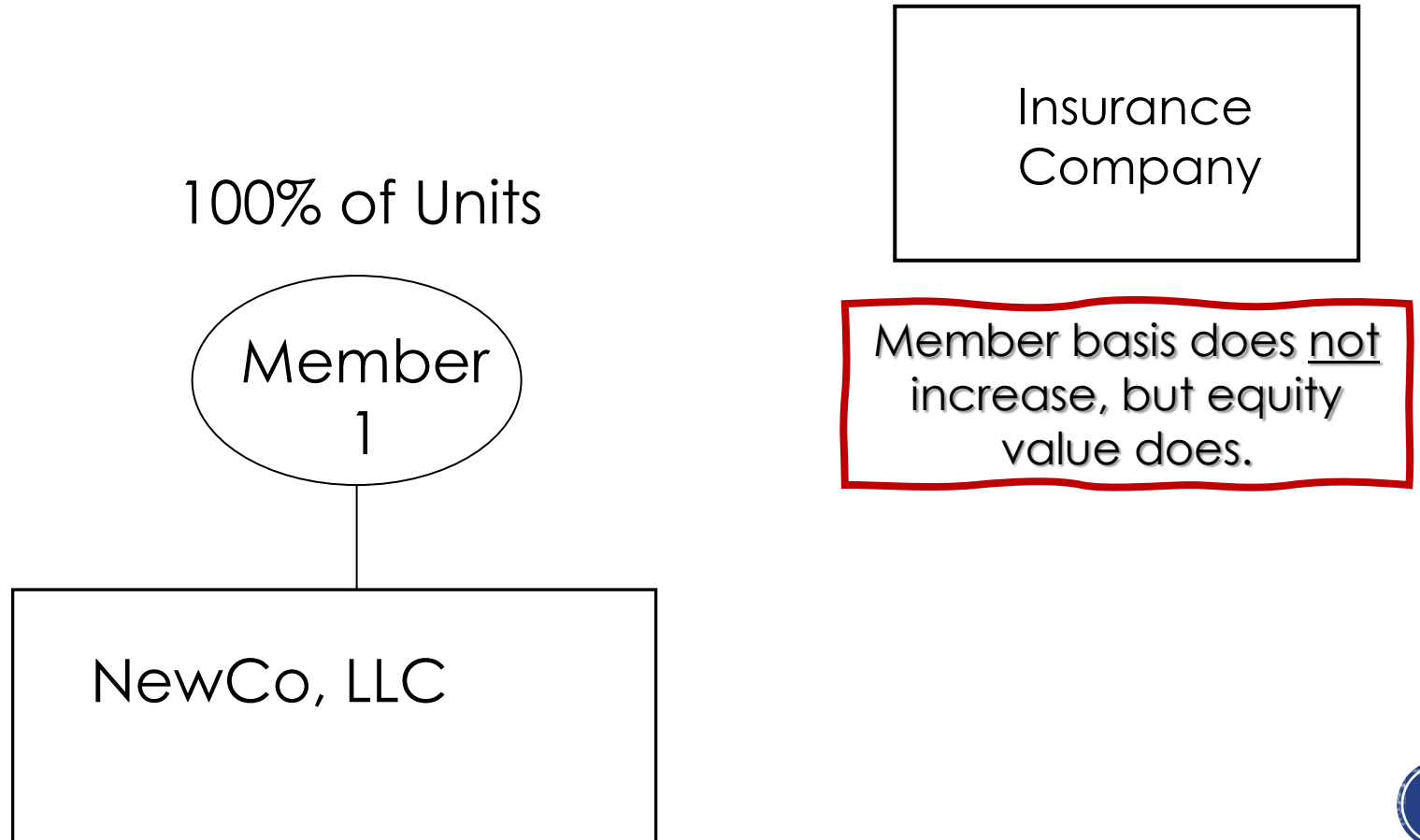
# DEFICIENT BUYOUT MECHANISM

## Redemption

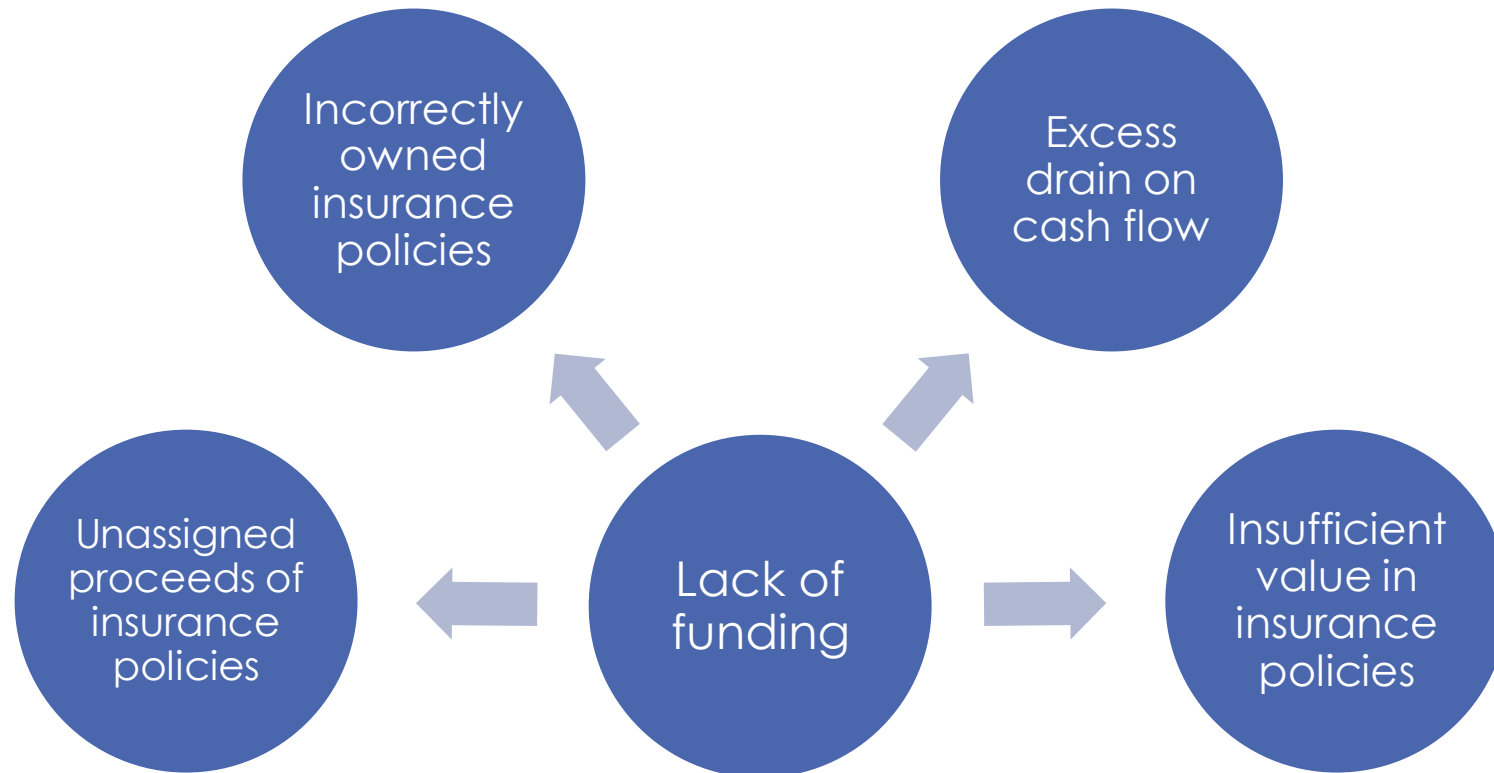


# DEFICIENT BUYOUT MECHANISM

## Redemption



# DEFICIENT BUYOUT FUNDING



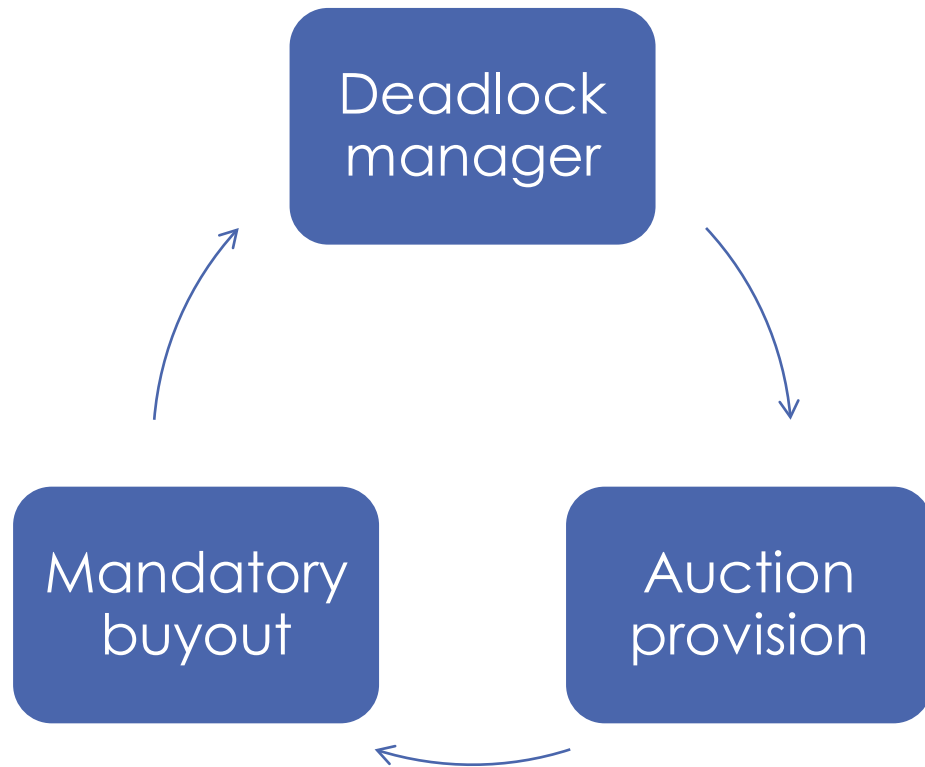


MISTAKE #5



# No Deadlock Resolution Mechanisms

# NO DEADLOCK RESOLUTION MECHANISMS



**Unresolved disputes  
risk judicial dissolution**





# Leaving Minorities and Majorities Unprotected

# UNPROTECTED MINORITY PARTNERS

Taxes

Expulsion

Capital calls

Tag along

New  
partner  
admission



# UNPROTECTED MAJORITY PARTNERS

Dissolution

Partnership  
agreement  
amendment

Litigation  
committee

Drag along

New partner  
admission





# Unreasonable Owner Compensation

# UNREASONABLE OWNER COMPENSATION



Wages-Labor



Profit  
distributions



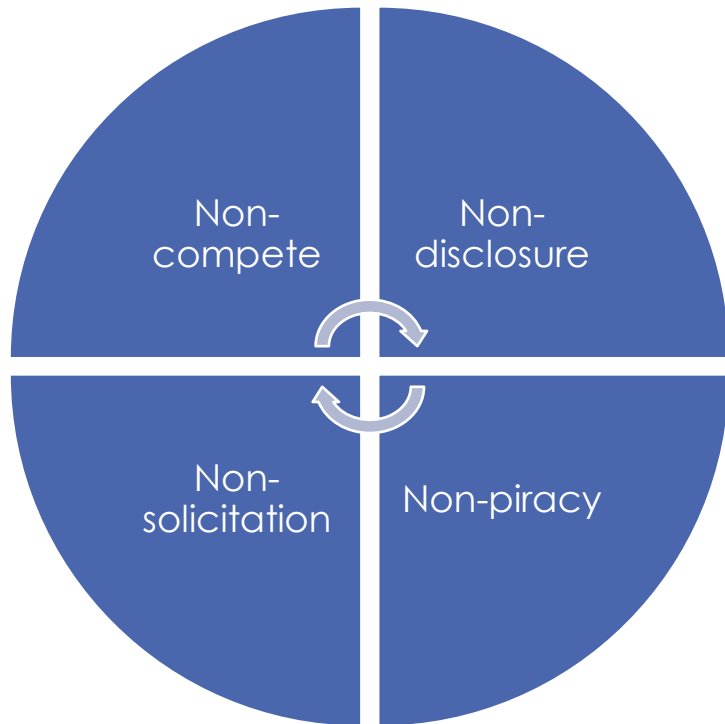
Capital  
appreciation





# No Restrictive Covenants

# NO RESTRICTIVE COVENANTS



**F.S.  
§542.335**

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In writing and signed

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Protect legitimate business interest

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Reasonable in time and geography

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Related to *your* business

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# Unassigned Intellectual Property

# UNASSIGNED INTELLECTUAL PROPERTY

## Partners

- Pre-formation/Contribution
- During work

## Employees

## Independent Contractors





# Not Updating the Partnership Agreement

# NOT UPDATING PARTNERSHIP AGREEMENT

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**There will be changes**

**...to your business**

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**...to state laws**

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**...to federal laws**

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# NOT UPDATING PARTNERSHIP AGREEMENT

...to **your business**

New partners

Expansion and growth

...to **state laws**

F.S. 605 (LLC) revised 2014

F.S. 607 (Corp) in effect Jan. 2020

...to **federal laws**

Bipartisan Budget Act 2015 (in effect 2018)

>>Partnership Audit Rules

Tax Cuts & Jobs Act 2017

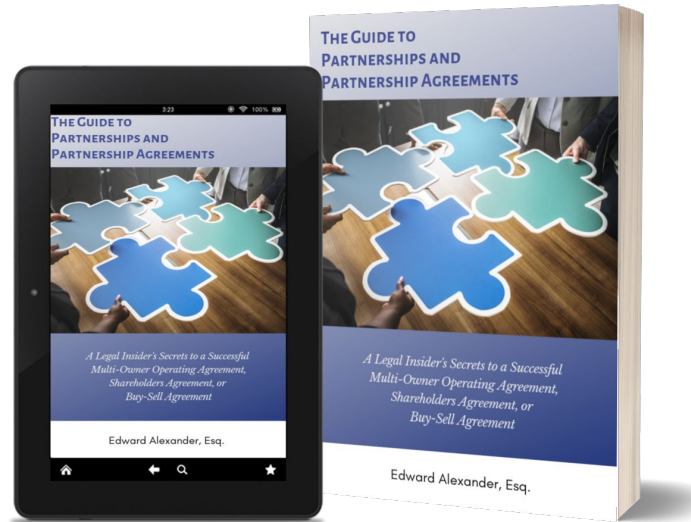
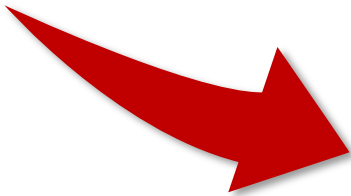
>>Tax rates



## Topics We Covered

- Pre-agreement mindset helps avoid a disaster
- Types of Partnership Agreements
- 10 huge partnership agreement mistakes
- A partnership agreement is a living document

You or a client need more info? **We've got you covered!**



[bit.ly/biz-pship-guide](https://bit.ly/biz-pship-guide)

**QUESTIONS?  
COMMENTS?**

