

PARTNERSHIP: BIRTH, GROOMING AND LAST RITES

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While I am no domestic relations specialist, I believe that the laws covering marriage are upside-down. It should be quite easy to obtain a divorce, but exceedingly difficult to get married. This position has a great deal to be said for it. I keep this belief in mind in my law practice, since I have so many dealings with something I like to refer to as the “commercial version of marriage” That is: partnership.

Partnership needs to be entered with extreme care. Remember, it has almost all of the disadvantages of marriage with virtually none of the benefits. Partners are tied together legally with intertwining financial obligations. They share the same headaches but each deals with them differently, (and often in ways that are mutually at odds.) And even if the relationship starts out very close, in the majority of cases the romance tends to be pretty short lived and then tends to deteriorate into mutual toleration or something less than that.

BIRTH OF THE RELATIONSHIP

Partners often join each other in a business venture because they feel that they can obtain more and suffer less in business than each could separately. In some instances this means sharing start-up costs, emergency coverage, management annoyances such as hiring and firing and so on.

In other instances, partners start out as friends or classmates and envision a career working around another practitioner with similar interests, practice philosophy and the same general outlook as to how hard to work and the importance of time off.

Armed with one or more of these motivations, the potential partners move forward with the relationship, often focusing more on the veterinary work itself and the management of practice problems than on the formalization of the partnership legally. I refer to this as “beer and a handshake” partnership formation. It is extremely common for two veterinarians to undertake huge financial and professional commitments based on nothing more than that.

A far better way to initiate a partnership, (once the decision has been made after very, very careful consideration), is to consult an accountant and an attorney so that each party to the partnership can be made fully familiar with what he is getting himself into. Lawyers and accountants can explain the various legal entities which are available to protect each of the partners’ assets and develop a simple way for the parties to amicably dissolve the partnership if either decides to move on.

In the absence of this well-considered “birth” process, many, many bad things can happen to the fledgling partnership. More accurately stated, many bad things can happen

to a partnership regardless of how it is organized, but the ability of the partners to escape the relationship undamaged is far greater when it was properly organized at the outset.

GROOMING THE PARTNERSHIP

Partnerships are nearly always doomed to deteriorate into a loveless sort of living together unless certain things are done and other things are scrupulously avoided. Here are some examples of do's and don'ts:

Partners *should*:

1. Have regularly scheduled partnership meetings where the partners discuss important items as to purchases, expenses, staffing and client management.
2. Keep their wits about them when dealing with each other. A partnership involves spending a lot of time around another person and if each partner always says whatever he feels like without considering the feelings and concerns of the other, there will be tension. That tension can devolve into actual hatred, expressed or suppressed.
3. Consult each other before buying new equipment or offering employment to a new potential staff member.

Partners *should not*:

1. Allow much input from spouses, relatives or others not directly involved in the business.
2. Internalize their discontent with the other partner.
3. Even consider making advances toward other potential partners without consulting existing partners and keeping them fully advised.

LAST RITES

Just as with a marriage, failure of a partnership to thrive can be very difficult financially and emotionally for the partners as well as those who work with them and know them personally. Bad partnerships can lead to depression, alcoholism, theft and worse.

The time to deal with a deteriorating partnership relationship is before it becomes bitter. When money becomes a problem, it needs to be dealt with head-on. If one partner has a life change which causes him to want to practice in a different way, he should simply go to the other partner and bring it up. When partners wait until problems become serious, the separation arrangements can become enormously tense and very, very costly.

The time to prepare for a bad partnership, of course, is at the start of a partnership. If there is a clear and mutually agreed-to dissolution provision in the partnership agreement, the split can go very smoothly. “Beer and handshake” partnership formation usually leads to very messy partnership funerals.