

Partnership Dispute: First 10 Steps



When co-owners stop agreeing, the first weeks decide whether the company survives the dispute and who ends up in the stronger position. These ten steps protect the business, your interest and your record.

THE FIRST TEN STEPS

- 1 Read the company agreement and any buy-sell agreement before you do anything else.** Find the provisions on voting, buyouts, deadlock, dissolution, notice and dispute resolution.
- 2 Preserve the records.** Email, texts, accounting data, bank records and access logs. Send a written litigation hold to everyone who holds company data.
- 3 Secure the company without overreaching.** Confirm bank signatories, accounting access, domains and customer data. Do not lock out a co-owner without legal advice; a wrongful exclusion can turn your strongest position into the other side's claim.
- 4 Keep performing your duties.** Fiduciary duties of loyalty and care continue during a dispute, and the other side will be watching for a lapse.
- 5 Stop side conversations with employees, customers and vendors about the dispute.** Say the owners are working through a business matter and leave it there.
- 6 Put communication with the other owner in writing, in a calm and factual tone.** Assume every message will be read aloud in a courtroom.
- 7 Get the numbers.** Current financial statements, the history of distributions and owner draws, outstanding guaranties and the inputs a valuation would need.
- 8 Decide what you want: to buy, to sell, to split the business or to stay and fix the governance.** Each goal has a different path and a different first move.
- 9 Check insurance and deadlines.** Directors and officers coverage may respond to some claims. Notice periods in the agreement and statutes of limitation run whether or not you are ready.
- 10 Talk to a lawyer before you send a demand, call a vote, change a distribution or file anything.** The first formal step is hard to take back.

Most ownership disputes end in a buyout. The owner with clean records, continued good conduct and a clear goal usually gets the better terms.

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