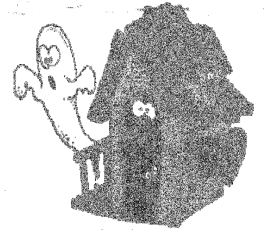




Mesmer & Deleault, PLLC  
41 Brook Street, Manchester, NH 03104



## “Tip of the Month”

### Corporate Divorce

Sometimes business partnerships do not work out. Whether the principals of the business have formed a partnership, corporation, limited liability company (LLC), or some other form, breaking up is hard to do. We often refer to it as Corporate Divorce.

A break-up can be characterized as a termination or dissolution. One principal might terminate her relationship with the business, or the entire business might be dissolved and liquidated. When a partner leaves a general partnership, the partnership is automatically dissolved. When a company goes out of business, someone is usually responsible for closing it, which is called “winding up” its business affairs.

In a smart start-up of a company, the principals will consider the possibilities in advance. They can make arrangements for getting out, kicking somebody out, or for winding up the company. These arrangements can be spelled out in a partnership agreement, a stockholder buy-out agreement, an LLC operating agreement, or a members’ buy-sell agreement (LLC).

Whether or not arrangements have been written, the same general principles apply. If a part owner of a company leaves, usually the other owner(s), or the company itself, wants to get back the ownership share of the person leaving. The departing person usually wants to sell her share for money.

Thus, valuation of the company as a whole is a big issue. The value of a company can be appraised. This is not as easy as appraising a house. Many complicated factors apply to company valuations. Appraisers are expensive. Sometimes the company’s accountant can specify a value. Sometimes buyer and seller can agree on a value, sometimes not. Corporate divorce can get ugly.

Accusations fly. Emotions run high. Sometimes the conduct of a company principal is an issue, sometimes not. The principals generally owe the duties of loyalty and care to their company and to their fellow principals. If a principal breaches those duties, such as by self-dealing or fraud, that can reduce the value of his buy-out. Sometimes litigation is necessary to resolve these issues.

If you have any questions about Corporate Divorce, please feel free to give us a call at 668-1971 or contact us through the Internet at *Meslaw @ aol.com*.

---

Frank B. Mesmer, Jr., Esq.  
Robert R. Deleault, Esq.

(603) 668-1971

Fax (603) 622-1445

E-mail: [Meslaw@aol.com](mailto:Meslaw@aol.com)

Website: [www.biz-patlaw.com](http://www.biz-patlaw.com)