

# minding your business

Hilary Davidson looks at the ins and outs of partnerships

## Planning for problems

Nadja Piatka and her two business partners had a successful eight-year run with their Calgary-based muffin-making business, Three Blondes and a Brownie, but when it became obvious that the partners wanted to go in different directions, dissolving the partnership proved less than sweet. "You never think at the outset



Piatka's solution: a shotgun clause

### workshop

- **The goal** Break up a partnership that's run its course
- **The strategy** Find a legal solution that everyone finds fair
- **The outcome** The partnership folds — making room for new opportunities

procedure, one partner can make an offer to buy out the others; if the others refuse, the partners can turn around and offer the exact amount of money to the first partner, who must take the offer. "It prevents you from undervaluing the company," says Piatka. She has since struck out on her own, founding Nadja Foods, which manufactures brownies and muffins for food distributors, including Subway sandwich outlets.



that it's going to end," says Piatka, 52. "It's important to have an agreement with a clearly defined exit strategy."

"What most people don't know when they go in [to a partnership] is that if they don't craft their own agreement, the government has one for you by default," says Toronto lawyer Yeti Agnew, a partner in Agnew Gladstone LLP. "Each province has legislation that sets out the rules governing partnerships."

According to Agnew, a good partnership agreement must cover the three Ds: death, disability and disagreement. "With the best partnership agreements, the partners have worked hard to find suitable language and concepts for getting out of a partnership," she says. Agnew advocates adding a clause agreeing to use a mediator, a measure she has used herself in dissolving a law partnership. "It can help preserve the personal relationship, if not the business one," she says.

Piatka and her partners ultimately employed the shotgun clause written into their partnership agreement. In this procedure,