

PARTNERSHIP DISSOCIATION

Look for partners leaving the partnership voluntarily, through expulsion, or death. If a partner becomes disassociated, he is entitled to the value of her ownership interest. If there were just two partners, the partnership must dissolve.

Dissociation Events and Wrongful Dissociation

A. Dissociation Events

1. A partner can leave at any time.
2. A partner can be expelled
3. A partner can become insolvent
4. Death or incapacity of the partner

B. Wrongful Dissociation

1. Withdrawal in violation of the partnership agreement may create damages in favor of the other partners or the partnership.
2. Either the partnership will cease operating and the dissociated partner's interest will be bought out or the remaining partners can buyout the dissociated partner's interest.

Dissociation Effect and Purchase of Dissociated Interest

C. Dissociation Effect

1. Dissociation does not necessarily terminate the partnership.
2. However, if a partner of a partnership at will dissociates, the partnership dissolve. A partnership at will has no fixed time frame. The dissociating partner cannot dictate the winding up process.

D. Purchase of Dissociated Interest

1. If the entity is not dissolved, the partnership shall purchase the dissociated partner's ownership interest.
2. Price: The buyout price is the pro rata share of the partnership's net assets (assets minus liabilities)
3. Non-Agreement: If the parties cannot agree on a buyout price within 120 days, the partnership shall tender in cash to the dissociating partner its estimate of the buyout price.

Dissociation Partner's Ongoing Liability

E. The Dissociation Partner's Ongoing Liability

1. For two years after dissociation, the partner may bind the partnership to a third party who reasonably believed the dissociated partner was still actually a partner.
2. The partner loses actual authority to bind the partnership
3. The dissociation does not discharge the partner's liability for obligations prior to dissociation.

