

## **LEGAL CHECK-UP #7**

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### **PARTNERSHIP ISSUES**

When considering teaming up with another practitioner, the place to start is the end. That is, consider the ways your partnership could conclude and plan accordingly. Three common unpleasant endings to a partnership, which should be planned for in advance, are the death of a partner, the retirement of a partner and the misconduct of a partner. To be prepared for all contingencies, it is best to have paperwork in place that secures the parties' rights and duties.

- **Death of a Partner**

The death of someone as close as your business partner can be an emotional time. If that time should come, you don't want to be asking and answering tough questions, such as to whom does the partner's ownership interest belong? And, if the family of the deceased expects a buyout, what will be the amount and source of the funds? Your partnership agreement should define these issues. It is also a good idea to have a life insurance policy in place to take care of the buyout.

- **Retirement of a Partner**

Though less emotional turmoil will result, the retirement of a partner could result in setbacks for those who continue the practice. Develop a financial plan that allows partners to retire comfortably. Address the question of buying out your partner in advance. Also, consider such legal issues as the maintenance of the retiring partner's patient records.

- **Misconduct of a Partner**

It may be difficult to conceive of your trusted partner having an ethical or legal issue that forces him or her to withdraw from practice. However, it is best to be prepared even for this difficult possibility. Does your partnership have a strategy for continuing to function in the unpleasant environment legal and regulatory trouble usually cause? Again, the outgoing partner's value to the business must be accounted for and meted out accordingly. Your partnership agreement should delineate the way your partnership will handle such trouble. You and your partner should familiarize yourselves with the applicable law in such situations, so you are aware of what is at stake before any problems occur.