

THE FOWLER LAW FIRM PC



SUMMER FUN WITH YOUR BUSINESS PARTNER'S SPOUSE

By Terry Belt, John Pearce and John Leone

Dear Readers: Well... It's summertime. Let's have a little fun! Each week this summer, The Fowler Law Firm will send you an Electronic Alert like this one, designed to do two equally important things: (1) Inform you about a challenge many others like you regularly ask that costs them money or forfeits an opportunity; and (2) Showcase the skills and resources of The Fowler Law Firm PC in our award-winning Practice Sections.

Reply to this Electronic Alert to ask a question or make a comment in strictest confidence. Have a great Summer of 2016!

Multiple-Choice Quiz

You just arrived at the office this morning and noticed that neither your business manager nor your business partner were present. They left you a handwritten note on your computer telling you they just left for Rio De Janeiro, Brazil and don't plan on returning. The funds from your business entity apparently grew wings and headed south with them.

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You and your business partner personally guaranteed all of the debt of the business entity. Your business entity Operating Agreement requires each partner to approve ordinary as well as fundamental business transactions.

You and your business partner bought a building before he married, in which your business currently is located. The mortgage has a due-on-sale clause that requires you to pay the note in full if there is any change in ownership.

Your business partner did not take his spouse of three years with him to Brazil. He left her and a general power of attorney he gave her to act on his behalf. Her divorce lawyer calls you mid-morning to suggest you all need to have a little chat.

Which of the following are true?

1. Having your next business partner's meeting in Rio de Janeiro is not the worst thing that could ever happen. After all, it's winter down there right now!
2. Your business partner's wife is now your new business partner.
3. If your business partner's wife exercises her rights under the power of attorney her husband gave her, she also has to assume the debt her husband personally guaranteed.
4. If you can't get your business partner to attend a meeting and act, your business entity cannot act on most transactions.
5. If your business partner's wife exercises her rights under the power of attorney, it could give the mortgage company or the holder of the note the right to demand that the entire unpaid balance on the note be paid in full immediately.

The Correct Answer is.....These are the things you should discuss with your business partner *in detail* before you enter into any joint business ownership. Well-drawn Operating Agreements address these issues with clarity. Always insist the spouses sign the agreement as well, unless you want a state or federal court to run your business.

In your every summertime adventure, we wish you the very best!

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The Fowler Law Firm Education Law Section is nationally ranked as a US News and World Reports Best Law Firm in the United States - Education Law- Tier 1 Designee, as well as Tier 1 in Immigration Law. The firm also recently received the 2016 award for 10 Best Law Firms in Client Satisfaction from the American Institute of Family Law Attorneys. For more information about our firm and our community outreach please contact us at www.thefowlerlawfirm.com, or at (512) 441-1411.

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