



NOTICE OF DISSOLUTION OF PARTNERSHIP (DEBTORS AND CREDITORS) & GUIDE

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Notice of Dissolution of Partnership (Debtors and Creditors) Instructions

Sample Notice of Dissolution of Partnership (Debtors and Creditors)

1. Overview

A change in the business climate or in the parties' goals may signal that it's time to terminate a partnership and release the parties from their duties. If one of the partners retires, dies, or enters bankruptcy, the dissolution of the arrangement may be triggered automatically under the terms of the partnership formation agreement. Alternatively, the objectives of the partnership may have been met and the parties' official relationship may no longer be necessary. Whatever the reason for the dissolution, a clean break will give peace of mind to all parties, discharging any remaining obligations and concluding the arrangement amicably.

The partners' agreement to terminate the partnership does not end their responsibilities to third party creditors and debtors. Individual partners may still be liable to such creditors and debtors if they have no notice of the dissolution. This may not always be accomplished by publishing a newspaper notice. In many cases, actual notice to a creditor or debtor is necessary. A well-drafted notice of dissolution of partnership can both terminate the parties' commitments and help prevent future misunderstandings and disputes. Although no document can insulate you from later lawsuits or claims, a clear dissolution form can strengthen your defense if such claims arise.

Note that notices are not ends in themselves: if you or your former partners continue to act as if the partnership were still in existence, you may both still be found liable to innocent creditors who did not know of the dissolution.

This packet is designed to help you create a notice that will work for you and your business, but it too is just a starting point. Consult with your partners to construct a document that will fit with your precise needs.

2. Dos & Don'ts Checklist

- An essential part of dissolving a partnership is informing third parties that the partners will no longer be responsible for each other's debts and obligations. Give actual written notice of the dissolution to all of the partnership's suppliers, customers, and clients. Do not assume that publishing notice of the dissolution in a newspaper (or as may be otherwise required by your state's laws) is sufficient: in many cases it is not.
- Examine contracts, leases, loan agreements, and other contracts to see how your dissolution will affect them. Agreements may contain provisions making them void if the partnership dissolves. Alternatively, those agreements may indicate that the partners must continue to perform during the contract period, even if the partnership is itself terminated. Notice should be given to each company and individual with whom your partnership has an agreement, even if you're sure that they already know about the dissolution.
- Generally, the partner initiating the dissolution is the one responsible for sending notice of the end of the partnership. Many partnership agreements allow you to designate a "liquidating partner," who will be solely responsible for winding up activities for the partnership.

- If you have (or had) employees at your general partnership, make sure that all payroll tax deposits have been made and all of your employment tax paperwork is complete and on time. You will also need to inform local, state, and federal tax agencies of the dissolution of your business. Many tax returns have boxes that you can check on their face, indicating that you will not be filing any returns in the future.
- The dissolution of a partnership can have serious tax and legal consequences. Talk with your accountant and your lawyer before dissolving your business for additional information about how those consequences might affect you.
- Keep your copy of the notice with the original partnership agreement and its termination.

3. Notice of Dissolution of Partnership (Debtors and Creditors) Instructions

The following instructions will help you understand the terms of your sample notice of dissolution. The numbers below correspond to numbers in the notice. Please review the entire document before starting your step-by-step process.

1. Insert the state law code and section number that governs your partnership agreement. Confirm which state's laws are applicable by reviewing the terms of your formation agreement. Information about relevant code and section numbers can usually be found on the Secretary of State or legislative website.
2. Write in the state in which the general partnership was formed. This is often, but not always, the same state whose laws are governing the agreement.
3. Enter the name of the first partner to the agreement. Note that this is not a specific designation – this is simply the first partner whose name will be entered in the space provided.
4. Enter the name of the second partner to the agreement. If there were additional parties to your initial partnership agreement, you should add them here with numbering continuing in the same way (i.e., Partner Three, Partner Four, etc.).
5. Write in the name under which the partnership conducted its business. This trade name may or may not be the same as the company's legal name.
6. Insert the partnership's principal business address.
7. Enter the effective date of the partnership dissolution. This should be written in the agreement terminating the partnership.
8. This is an optional provision, in which you and your partners can require more specific information from any companies or individuals that are claiming they are owed something from the partnership. If you will not need any additional information, you can delete this sentence.
9. Insert the date by which all claims against the partnership must be submitted. Note that many states require this period to be a certain minimum amount of time (in some states, this is framed as follows: "the deadline for receipt of the claim may not be less than one hundred twenty days after the date the notice is received by the [creditor]").

10. This section applies to debtors of the partnership (i.e., individuals and organizations that owe money to your company). Enter the number of days within which their debts must be paid.
11. Insert the name of the partner to whom payments should be made. You may want this to be the liquidating partner, if you have designated one.
12. Enter the address to which payments and/or bills should be sent. Make sure this is a permanent or semi-permanent address. If you terminate the lease at your business address, important information about claims and debts may be misplaced.

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NOTICE OF DISSOLUTION OF PARTNERSHIP

In accordance with the provisions of _____ **1** _____, notice is hereby given that the partnership formed under the laws of _____ **2** _____ by and between _____ **3** _____ (“Partner One”) and _____ **4** _____ (“Partner Two”), doing business under the name of _____ **5** _____ with its principal business address at _____ **6** _____ (the “Partnership”) has been dissolved by mutual consent of its partners as of _____ **7** _____.

- (1)
- (2) All claims against the assets of the Partnership must be made in writing and must include the claim amount, basis, and origination date. [The following information also must be included in a claim:

_____ **8** _____

_____]

- (3) The deadline for submitting claims is _____ **9** _____, 20____. (the “Claim Deadline”).

- (4) Any claims that are not received by the Claim Deadline will not be recognized by the Partnership.