

Partnerships That Are Formed To Dissolve

BY LOU ANN GOOD

LEBANON — When families enter partnerships, they generally intend to continue the arrangement indefinitely or for a lifetime. But over the years the Hoover brothers of Lebanon have formed several partnerships that are designed to dissolve.

That doesn't mean they failed. Actually the agreements fulfilled their purpose, and when that happens, the brothers take steps to dissolve them.

Dean, the third son of Abram Hoover, is presently in two partnerships with his brothers.

One partnership is with his brother Reid. They farm 250-acres of tillable land plus pasture that their dad owns. Without their father, the two brothers own 100 cows and 100 young stock, and they feed about 300 head of steers annually. Although both fellows do the milking together, Reid is responsible for the dairy herd and the bookkeeping. Dean shoulders responsibility for the crops and beef operation. That means they make the smaller decisions for their area of responsibility, but the larger decisions are still made jointly.

With Dale, the two brothers own a separate partnership called Hoover Farms II. Corporately, they own large equipment; individually they each possess their own tractor and some smaller pieces of equipment.

The brothers find partnerships a good way to pool resources—financial, skills and knowledge. "It would have been tough to start out on our own," Dean said.

He added that at this point, he has no burning desire to be independent, especially with a dairy operation. On the other hand, he said, "it's difficult to own land together, for then it needs to be

divided or sold if the partnership dissolves.

"Financially, we boys bought everything, we didn't have it handed to us," Dean said. But he believes those like he who grew up on a family farm have a better opportunity. He credits his dad for teaching them to be open to new ideas and new ways. He explained, "Dad was progressive. And he allowed us to buy better cows and feed."

Dale agreed, "I give my dad credit for his foresight in giving us the opportunity to expand in this way. 'Not everything worked out exactly as planned. Changes were made, some things were adapted. It's a great way to get started in farming and I think a good way to continue.'"

But time changes things, the children of the partners grow older and want a place in the operation. How do you decide how to reimburse a child for time spent on chores that were previously shared by the partnership? How do you include them in profit and duties? To adjust their lifestyle to these changes, the brothers terminate the agreements as the need dictates.

"We are always careful to include in the agreement a way to take the partnership apart as easily as possible," Dean said. "The key is to have a buy-sell agreement that outlines how the partnership is to be sold. Put a value on everything on regular basis so that when the need to divide it arises, you can determine the value."

Dale added, "We had a good attorney who gave us good advice by saying, 'Down the road, things change. What works best today might not in the future.'"

From this perspective, the brothers learned that it's important to list machinery and livestock purchases and the fair market val-



Dale and Charlotte Hoover gather with their children on their porch in Lebanon County. From left, Angela who is the Lebanon County Dairy Princess, Matthew, 14; and Alicia, 10, (seated).

ue of assets on a regular basis. Yearly, they assign a detailed value on their inventory and equipment.

"When we dissolve a partnership, our attorney suggests that we swap as many assets as possible for tax savings," Dale said.

Formerly Dale was in a partnership where profits were split evenly with his father and later both his brothers. Today Dale farms independently and owns only equipment under the partnership agreement with his brothers. Dale, his wife, Charlotte, and three children own an adjoining 94-acre dairy farm with 70 cows. They rent an additional 85-acre farm where they feed 130 steers. "Some people may be hesitant to form equipment partnerships because it isn't as easy to plan things as it is when you are independent," said Dale. For example, you might need to wait a day to plant corn because someone else is using the equipment. In a partnership, you need some give and take. You must allow others to have a shot at it." Any trepidations he may have completely disappears when "a piece of machinery needs to be fixed and I only need to pay one third of the cost."

Dale cautions, "Some farmers treat their equipment rough and are not as particular with it as others. In a partnership, this could cause a problem, but he said, "We brothers had the opportunity to work together for several years before we formed our first partnership. It's beneficial not to jump into it."

The brothers take steps to solve any questions that may arise from the setup. "We have this understanding that unless one is absolutely negligent in caring for equipment, we split the repair costs. So far, we've never had the problem that someone was negligent."

In this type of setup, it's impor-



Hoover Farms is operated by the partnership of Dean and Reid.

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tant that one person be responsible to maintain the equipment; otherwise, maintenance might be overlooked.

Ironically, the thing that the brothers find the most satisfaction in is also the most frustrating: Being able to work together in a family setting. Dean said, "We've always got along on the whole. We work well together."

On the other hand, that doesn't mean there are never disagreements to work out. "Sometimes we need to work out a plan that satisfies both parties when it comes to deciding who takes care of what or what amount of time someone takes off or who fixes what

equipment." He explained, "It's easier to work time off agreements when there are only two working together than when their are three. I can say, 'O.K. you milked for me one night this week so I'll milk for you next week;' but when there are three working together, that philosophy does not work. It's harder to keep three satisfied with arrangements."

Diversified farming with both dairy and beef has decreased overhead. "The beef operation allows us to get more use out of our equipment. Beef doesn't require as

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"I have no burning desire to be independent, especially with a dairy operation," Dean said. Nevertheless, he stresses the importance of drawing up partnership agreements that can be easily dissolved if necessary. Here Dean stands with his wife, Mary Ann, and daughter, Maria.