

## Business partnership agreements checklist

***Every business needs a good mix of talent and abilities. It's great to find a partner whose skills complement yours, but be sure to put your agreement down in writing. As in all relationships, transparency is critical.***

Whichever business format you choose for your start-up, if you have partners, it's advisable to establish a legal entity as soon as possible to give the business a separate identity and protect the individuals from personal liability.

Think of it as a type of prenuptial agreement. If the relationship goes awry, solid agreements will cover all the issues that may arise.

Checklist		
1	Partnership information should include the name of the partnership, when it was formed and the nature and purpose of the business.	
2	Define the authority, roles, and responsibilities of the partners: <ul style="list-style-type: none"> <li>• What is each partner's initial contribution to the business and percentage ownership? This may include cash, intellectual property, machinery, vehicles and other items.</li> <li>• What is each partner's role?</li> <li>• What are each partner's responsibilities within the company?</li> <li>• What level of performance is expected?</li> <li>• What will each partner contribute in cash, loans and investments?</li> </ul>	
3	Clearly state each partner's distribution percentage - reflecting their share of partnership profits and losses. <ul style="list-style-type: none"> <li>• What will the income of each partner be, and how will profits or losses be distributed?</li> <li>• What banking arrangements will be made for the partnership?</li> <li>• Which partners will have financial signing privileges?</li> <li>• Who will be authorised to draw on the partnership's accounts?</li> <li>• How will the books be kept?</li> </ul>	

4	<p>Include in your partnership agreement how disagreements will be resolved. Determine who is going to manage the partnership, who will be eligible to sign contracts, and whether partners are going to be receiving salaries.</p> <p>You also need to determine the voting rights of the partners. Many partnership agreements require that the partners be unanimous in agreement when deciding to admit new partners, merge with another company or sell part of their business.</p> <ul style="list-style-type: none"> <li>▪ On what grounds can a partner be expelled from the partnership (misconduct, non-performance of duties)?</li> <li>▪ What methods will be used to settle disputes that can't otherwise be resolved?</li> <li>▪ What procedures should be used in the event of a tie vote between partners on crucial partnership decisions?</li> <li>▪ Will you use mediation or binding arbitration?</li> </ul>	
5	<p>The agreement must spell out how to dissolve the partnership - the circumstances under which partners can withdraw, how much notice they must provide, and how the assets will be distributed.</p> <p>It should clearly state who gets what when the partnership dissolves, and spell out rules for what the partners can and cannot do afterwards in terms of restraints of trade.</p> <ul style="list-style-type: none"> <li>▪ What guidelines should be followed if one partner wants to leave the partnership?</li> <li>▪ Will partners be allowed to sell their interests in the business to outsiders?</li> <li>▪ What guidelines should be followed if one partner wants to retire or leave the partnership?</li> <li>▪ What happens if a partner is incapacitated or dies?</li> <li>▪ When can the partnership be dissolved?</li> <li>▪ What happens to the partnership if the partners decide they can't work together?</li> <li>▪ What methods will be used to determine the value of the business in the event of a sale, dissolution, death, disability or withdrawal of a partner?</li> </ul>	