

Worksheet Of Considerations  
PARTNERSHIP AGREEMENTS

There is usually great excitement when a partnership is being formed, but please take the appropriate time to consider the following so that you have a successful and rewarding partnership! This document touch many of the more difficult issues you will face and it is good to see that there is agreement on them before the partnership begins, so fill it out together as one of your first duties as partnerships and build in these thoughts into your partnership agreement.

Regardless of the business structure – ie: S-Corp, LLC or Partnership, you need a partnership agreement and it is very important to review the details related to how you: enter the partnership; what your partner should and does expect from you; are compensated; and leave the partnership.

Someday you will leave the partnership in some fashion. Sometimes life changes cause different needs, desires and expectations so make sure things are clear so you are able to handle the unexpected. A clear understanding between the partners from the start can help your business succeed, be productive and optimize your results.

**A. ENTERING THE PARTNERSHIP:**

1. What will be the initial capital contributions of the partners?

Name: \_\_\_\_\_ Amount: \_\_\_\_\_ Ownership \_\_\_\_\_%

Name: \_\_\_\_\_ Amount: \_\_\_\_\_ Ownership \_\_\_\_\_%

Name: \_\_\_\_\_ Amount: \_\_\_\_\_ Ownership \_\_\_\_\_%

2. Partners obligated to personally guarantee loans? Yes No  
3. Partners obligated to sign over personal equity in support of loans? Yes No  
4. Interest paid on capital contributions by partners? Yes \_\_\_\_\_% No  
5. Will there be loans made by the partners to the partnership?

Name: \_\_\_\_\_ Amount: \$ \_\_\_\_\_ Term \_\_\_ Years \_\_\_\_\_%

Name: \_\_\_\_\_ Amount: \$ \_\_\_\_\_ Term \_\_\_ Years \_\_\_\_\_%

Name: \_\_\_\_\_ Amount: \$ \_\_\_\_\_ Term \_\_\_ Years \_\_\_\_\_%

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**B. EXPECTATIONS AND COMPENSATION OF THE PARTNERS:**

1. If at anytime in the future the partnership needs additional capital,

a. Will the partners be obligated to contribute personally? Yes No

i. In what proportion?

Name: \_\_\_\_\_ Percent: \_\_\_\_\_%

Name: \_\_\_\_\_ Percent: \_\_\_\_\_%

Name: \_\_\_\_\_ Percent: \_\_\_\_\_%

ii. Subject to a cap?

Name: \_\_\_\_\_ Amount: \$ \_\_\_\_\_

Name: \_\_\_\_\_ Amount: \$ \_\_\_\_\_

Name: \_\_\_\_\_ Amount: \$ \_\_\_\_\_

b. Partners obligated to additional personally guarantee loans? Yes No

c. Partners obligated to sign over additional personal equity in support of loan requirements? Yes No

2. Under what circumstances can capital contributions be withdrawn from the partnership?

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3. How are profits and losses allocated among the partners?

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4. When are distributions of profits to be made?

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5. Who decides this distribution and when?

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6. Are there profits that will be retained in the business and not distributed?

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7. Describe how the business will be managed? Will there be a Managing Partner (one that has authority over other partners' activities and role)?

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8. Will there be partners performing work in the partnership? Yes No

9. What are the specific roles and time commitments for the partners?

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10. What are the responsibilities and authorities of the partners?

a. Who can hire, fire, etc?

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b. Who purchases what without getting partners' approval?

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- c. Is there an authorization cap? \$\_\_\_\_\_
- d. Who has access to the funds?

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- e. Who is responsible for the financial management, record keeping and reporting?

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- f. How do you determine selling price, discounts, etc.?

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- g. Do you require a partner to approve expense report payments for the other? Yes No

- h. What acts will not require the majority consent of the partners?

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- i. What acts will require the unanimous consent of the partners?  
(Contractual? Purchases over \$x? etc.)

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- 11. What outside activities of the partners considered unfair and therefore are restricted?

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12. Is any partner entitled to a salary?

Name: \_\_\_\_\_ Amount: \$ \_\_\_\_\_ per \_\_\_\_\_

Name: \_\_\_\_\_ Amount: \$ \_\_\_\_\_ per \_\_\_\_\_

Name: \_\_\_\_\_ Amount: \$ \_\_\_\_\_ per \_\_\_\_\_

13. Other salary or pay considerations?

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14. If the business does not have the cash to pay the partners salaries, how will the decisions to handle be made?

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15. What standard communications are required of the partners?

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16. How can new partners be added?

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**C. EXITING THE PARTNERSHIP:**

Perhaps the most important consideration in establishing a partnership is the end. In most cases it makes sense that a primary objective of the partners is to ensure the business continues and so they must leave it financially able to continue.

1. Is there a non-compete clause for exiting partners? Yes No
2. If life changing events or relationship issues occur that cause a partner to loose focus, reduce hours or withdraw completely:
  - a. Should this demand the initiation of selling the entire business?  
Yes No
  - b. Should this demand the initiation of a buyout process for the remaining partners? Yes No
  - c. If health related:
    - i. Does the partnership provide for insurance so the partner continues to receive income? Yes No
    - ii. Does the business require insurance to provide a means to compensate for the loss? Yes No
  - d. Are there protected rights agreed on for the remaining partners so that the business has the means to continue and the remaining partner can continue to receive income – such as a buyout process over time and perhaps a lower buyout to offset the remaining partners losses occurring from the loss of a key person or other factors? Describe:

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3. In the case of a partner's death,
  - a. Does the value get distributed to the estate? Yes No
  - b. Does the authority and responsibility of the business activities transfer to the remaining partners? Yes No
  - c. Does the new owners have the responsibility to perform the work of the partner who died? Yes No
  - d. Or does that authority and responsibility stay with the owner of the stock?  
Yes No

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e. What is the buyout option and procedure for the remaining partner?

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f. Does the business require appropriate insurances to ensure it can continue after such a death? Yes No

4. If a partner finds the other is not performing according to the spirit of the partnership agreement:

a. What options can be exercised?

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b. What are the steps required by the concerned partner?

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5. What is the formula used in establishing the selling partner's value?

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6. Describe the agreed payment structure (or options) and criteria that are fair for the remaining partner to buyout an exiting partner's stock such that the business survives the change.

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