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 ___%
Worksheet Of Considerations
PARTNERSHIP AGREEMENTS

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?
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
3. How are profits and losses allocated among the partners?
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
4. When are distributions of profits to be made?
   ___________________________________________________________________
   ___________________________________________________________________
5. Who decides this distribution and when?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

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)?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

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

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

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

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

   a. Who can hire, fire, etc?

      ___________________________________________________________________

      ___________________________________________________________________

      ___________________________________________________________________

   b. Who purchases what without getting partners’ approval?

      ___________________________________________________________________

      ___________________________________________________________________
c. Is there an authorization cap? $________________

d. Who has access to the funds?

________________________________________________________________
________________________________________________________________
________________________________________________________________

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

________________________________________________________________

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

________________________________________________________________
________________________________________________________________
________________________________________________________________

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?

________________________________________________________________
________________________________________________________________
________________________________________________________________

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

________________________________________________________________
________________________________________________________________
________________________________________________________________

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

________________________________________________________________
________________________________________________________________
________________________________________________________________
12. Is any partner entitled to a salary?

   Name: __________________   Amount: $_____________ per _______

   Name: __________________   Amount: $_____________ per _______

   Name: __________________   Amount: $_____________ per _______

13. Other salary or pay considerations?

   ___________________________________________________________________________________
   ___________________________________________________________________________________
   ___________________________________________________________________________________

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

   ___________________________________________________________________________________
   ___________________________________________________________________________________
   ___________________________________________________________________________________

15. What standard communications are required of the partners?

   ___________________________________________________________________________________
   ___________________________________________________________________________________
   ___________________________________________________________________________________

16. How can new partners be added?

   ___________________________________________________________________________________
   ___________________________________________________________________________________
   ___________________________________________________________________________________
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 lose 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:

_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________

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

________________________________________________________________
________________________________________________________________
________________________________________________________________

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?
      __________________________________________________________
      __________________________________________________________
      __________________________________________________________

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

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

________________________________________________________________
________________________________________________________________

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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Worksheet Of Considerations
PARTNERSHIP AGREEMENTS

Additional Considerations:
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We agree to the terms of this document and will build these points into our partnership agreement:

Name: ________________________   Signature:_________________________
Date: _________________________   Ownership: ___________%
Name: ________________________   Signature:_________________________
Date: _________________________   Ownership: ___________%
Name: ________________________   Signature:_________________________
Date: _________________________   Ownership: ___________%

Witness: ________________________   Date:________________