

IN-CPptn05

Family partnership agreement

Partner 1: [Name]

and

Partner 2: [Name]

Date: [Name]

Contents

1. Definition
2. Interpretation
3. Business of the Partnership
4. Partnership shares
5. Partnership property
6. Capital
7. Profits and losses
8. Drawings
9. Loans to the Partnership
10. Banking arrangements
11. Records and accounts
12. Meetings and voting
13. Holidays
14. Absence
15. Cars
16. Insurance
17. Good faith
18. Partnership policies
19. Restrictions on partners
20. Continuation of Partnership
21. Expulsion
22. Termination of the Partnership
23. After termination
24. Counterparts
25. Miscellaneous matters

The schedule: Additional provisions applying when a partner leaves

This agreement is dated: [date]
It is made between [name]
of [address] (“Mr/s name”)
and [name]
of [address] (“Mr/s name”)
and [name]
of [address] (“Mr/s name”)
and [name]
of [address] (“Mr/s name”)

[If more, they may be].

These are the terms of this agreement:

1. Definition

"Accountants"	means [name and address] or such other firm
"Accounting Date"	means [date] each year.
"Accounting Period"	means the period of [12 months] to which the Partnership
"Continuing Partners"	means the Partners who continue to be members of the
"Outgoing Partner"	means a Partner who ceases to be a member of
"Partner"	means a party to this agreement and any other person who is
"Partnership"	means the partners, in business, as
"Succession Date"	means a date on which an Outgoing

2. Interpretation

This agreement

2.1. A reference to one gender shall include any or

2.2. A reference to a person includes a

2.3. A reference to a person

2.4. The headings to the paragraphs and schedules ()

2.5. A reference to the knowledge, information, belief or awareness

2.6. The words "without limitation" shall

2.7. A reference to an act or

3. Business of the Partnership

3.1. The Partners are []
].

3.2. The Partners shall at all []
].

3.3. The business []
].

3.4. The main place
:[]

4. Partnership shares

4.1. The Partners shall
:

[name] xx%

[name] yy%

[name] zz%

5. Partnership property

5.1. All the assets used in the Partnership business are

5.2. The business premises of the Partnership are []
]

5.3. The cost of all rent, rates, repairs, insurance and

6. Capital

6.1. The capital of the Partnership

6.2. Each of the Partners shall be entitled to interest at the rate of [5] %

7. Profits and losses

7.1. The profits or losses of the Partnership

7.2. If in an Accounting Period a Partner draws more than his share

8. Drawings

Each Partner shall be entitled to draw out of the Partnership Business each month, on account

9. Loans to the Partnership

9.1. If a Partner, with the consent of the other Partners, lends a sum of money to the Partnership in excess

[5] %

9.2. The sum loaned shall not be deemed to be

9.3. A loan must be repaid, together with
6

10. Banking arrangements

10.1. The bankers of
]

[

10.2. All Partnership money shall

10.3. Partnership cheques shall require [/] .

11. Records and accounts

11.1. Proper books of account shall be kept

11.2. As soon as practicable after each Accounting Date, a balance sheet and profit and loss account shall be prepared. The

11.3. Each Partner shall be entitled to draw out of

12. Meetings and voting

12.1. A general meeting of the Partners

12.2. Notices of meetings of the Partnership shall specify ,

12.3. The Partners shall open the proceedings at each meeting by voting for who shall be chairman of

OR

12.4. The chairman [] .

12.5. All matters considered at a meeting of the Partners or to be determined by

[]

:

12.5.1 borrowing any sum [00 , 000];

12.5.2 increasing the capital of the Partnership Business;

12.5.3 introducing into the Partnership () ;

12.5.4 amending this agreement.

12.6. A Partner may appoint another Partner as his proxy to vote on his behalf

[2]

12.7. The quorum for a meeting shall be [2 Partners] entitled to not less than [50]

12.8. Minutes shall be taken of all meetings of Partners and (subject to any)

13. Holidays

Each Partner shall be entitled (in addition to public holidays)

[5]

14. Absence

If, in any Accounting Period, a Partner is absent from Partnership business as a result of illness

56

) (

15. Cars

All cars required for the purposes of the Partnership business shall be

,

16. Insurance

All buildings, machinery, office equipment and other assets of

,

17. Good faith

Each Partner shall at all times:

17.1. devote his whole time and attention to the business

;

17.2. conduct himself

;

17.3. use his

.

18. Partnership policies

18.1. The Partnership

:

18.1.1 health and safety policy;

18.1.2 equal opportunities and non-harassment policy;

18.1.3 computer use, internet and communications policy;

18.1.4 partnership vehicles policy;

18.1.5 data protection policy;

18.2. Insofar as any of these policies imposes an expectation of behaviour on a Partner

18.3. You accept the importance for the Partnership in maintaining and enforcing fully up-

19. Restrictions on partners

No Partner shall

:

19.1. engage directly or

;

19.2. engage or dismiss any employee of the Partnership;

19.3. use any of the assets of the Partnership

;

19.4. compromise or

;

19.5. lend money

;

19.6. buy or contract for any goods, services or property on behalf of the Partnership involving a total commitment

[0 , 000];

[0 , 000]

[0 , 000]

;

19.7. give any guarantee on behalf of the Partnership;

19.8. enter into any bond or become bail, surety or security with or for any

,

19.9. enter into partnership

20. Continuation of Partnership

When a Partner

20.1. the Partnership

20.2. the Continuing Partners

20.3. the provisions of the schedule shall apply.

21. Expulsion

21.1. If a Partner (the "Partner in breach") behaves in a way or finds

21.2.

21.3.

21.4.

21.5. [48]

21.6.

7

21.7.

21.8.

:

21.8.1

21.8.2 physical violence; or

21.8.3 serious bullying or harassment; or

21.8.4 bringing the Partnership into serious disrepute; or

21.8.5

21.8.6

21.8.7 serious infringement of health and safety rules; or

21.8.8

21.8.9

21.8.10

21.8.11 being bankrupt; or

21.8.12

21.8.13

60

;

21.8.14

;

21.8.15

2

22. Termination of the Partnership

22.1. []

22.2.

:

22.2.1

;

22.2.2

;

22.2.3 the provisions of the schedule shall apply.

22.3.

,

22.4.

.

22.5.

:

22.5.1 any unpaid profits which are due to him;

22.5.2 his share of the Partnership capital;

22.5.3

,

22.6.

23. After termination

23.1.

23.2.

23.3.

23.4.

23.5.

24. Counterparts

25. Miscellaneous matters

25.1.

25.2.

25.3.

25.4.

25.5.

25.6.

25.7.

25.8.

It shall be deemed to have been delivered:

;

72

;

:

24

;

:

-

-

:

24

-

. [

-

.

,

]

25.9.

,

25.10.

,

25.11.

25.12.

25.13.

,

Signed by [\[name\]](#):

Signature:

Signed by [\[name\]](#):

Signature:

Signed by [name]:

Signature:

Signed by [name]:

Signature:

The schedule: Additional provisions applying when a partner leaves

1. Accounts to be prepared

‘
(“ ”)
.’

2. Valuation of property

‘
(,)
.’

3. Value of work-in-progress

- -
.’

4. Outgoing partner's undrawn profits and capital

4.1.

- ,
:

4.1.1

;

4.1.2

;

4.1.3

;

4.2.

,

4.3.

[4 %]

,

4.4.

[3],

,

,

4.5.

,

;

.

5. Debts and liabilities

,

,

,

,

,

,

;

6. Mutual tax indemnity

:

6.1.

,

.

,

6.2.

.

6.3.

,

7. Books of account and other documents

,

,

18

,

,

,

8. Power to get in assets and further assurance

9. Restriction

24

9.1.

9.2.

9.3.

10

Explanatory notes:

Family partnership agreement

Paragraph Specific Notes:

1. Definition

Words with capital initial letters are defined terms. You need to understand the definition in

2. Interpretation

Leave these items in place unless there is a good reason to edit or remove. Each of these items has been carefully considered in the context of this agreement and has been included for a purpose.

3. Business of the Partnership

Unlike a company structure, a partnership agreement is whatever the partners make of it. You may therefore change the terms set out here to reflect the actual agreement between the parties with little risk of legal problems. Members of a family partnership may feel that this agreement is too legalistic. In that case, deletions will be appropriate. Note however, that in the long commercial experience of Net Lawman, partnerships between family and friends produce just as many problems as those between people without any

This document is suitable for partnerships of 2 to 10 people. For larger numbers however, you

4. Partnership shares

Remember that partners are personally responsible for the debts of the partnership, and that they are "jointly and severally" responsible. That means that if one partner is unable to pay his share, then so far as any third party is concerned, he can claim just as easily against the remaining partners. If one partner has a business or social position to

5. Partnership property

Business premises do not have to be partnership property. Frequently one or more of the partners might own business premises in their own name. The property can then be rented to the partnership or the property owner can take money less formally on account

In many cases properties occupied by the partnership may be owned by one or more partners personally and in such circumstances it is advisable to specify in the partnership agreement that these are specifically excluded from the partnership assets. Arrangements will also need to be made to substantiate the partnership's right to occupy the premises in such circumstances so that the partnership's position is fully protected as against the individual owner/partner an

6. Capital

It is normal practice for the partnership capital to be contributed in the same proportions as profits are shared. If different proportions apply, it may be appropriate for interest to be a first charge on the profits. It should be noted that, although described as interest,

7. Profits and losses

No comments

8. Drawings

Arrange very carefully what money can be drawn by the partners each month. It is very easy to confuse profit with cash flow in some types of business. Provision should always be made conservatively for debts and

9. Loans to the Partnership

Basic, sensible provisions.

10. Banking arrangements

Bank arrangements may as simple or complicated as you wish.

11. Records and accounts

This is standard accounting procedure. If you

12. Meetings and voting

Few partnerships set up a procedure for decision making. We believe it is a very important part for the glue that holds a partnership together. Every partner must feel “safe” insofar as his rights are concerned. Management procedures should therefore be fair and

13. Holidays

It may seem petty to include this and the two following provisions in a written agreement. We do so because our experience is that these are common areas of conflict. Quite innocent assumptions may be misinterpreted

14. Absence

As for holidays, above

15. Cars

As for holidays, above

16. Insurance

This is another area where a simple rule prevents an over-optimistic partner from failing to protect the partnership

17. Good faith

There is a fundamental common law duty of good faith in a partnership situation. That means no partner may prefer his own immediate financial interest to

18. Partnership policies

Whatever policies are maintained

19. Restrictions on partners

There are a number of suggestions as

20. Continuation of Partnership

No comments

21. Expulsion

Partnerships often end in tears. It is therefore essential to provide comprehensive and fair provisions to deal with disagreement. We

22. Termination of the Partnership

Unless the duration of the partnership is specifically referred

Tax law treats a continuing partnership differently from dissolution or the start of a new partnership. It is therefore very important

23. After termination

More common sense

24. Counterparts

This provision may be useful if you have partners in several places

25. Miscellaneous matters

A number of special points. We have identified each of these as

Signatures

This agreement requires no witness to a signature.

The Schedule

This schedule is effectively an agreement for a civilised dissolution of your partnership,

Most of these provisions reflect a common sense view of the framework provided

End of notes