

THE IMPORTANCE OF A PARTNERSHIP AGREEMENT

If your business is run by two or more partners, it is vital to have a properly drawn up written partnership agreement, even if your partners are also your family.

Common provisions in a written partnership agreement should include the following:

Management and Control of the Partnership

Specify the decisions which need the unanimous consent of all the partners, or decisions which need a special majority.

Ownership

Set out specific assets, such as the partnership's premises, that are partnership property. Where the partnership uses an asset that belongs to one of the partners, it is advisable to make clear in the agreement that such asset is not partnership property and the terms on which the partnership is permitted to use the asset.

Sharing of Profits and Losses

If the sharing of profits is not intended to be equal, this must be set out and also state whether losses are to be shared in the same manner as profits.

Expulsion of a Partner

A written partnership agreement will usually reserve the right, with the consent of a specified majority of partners, to expel a partner in the case of bankruptcy, long-term illness, mental illness or serious breach of the partnership agreement.

Outgoing Partner's Shares

Provisions should be included for acquisition by the remaining partners of the outgoing partner's share in the partnership, in the case of the death, retirement or expulsion of a partner.

Termination and Winding Up

A written partnership agreement will include provisions covering the departure of a single partner when the business of the partnership can be carried on by the remaining partners and voting provisions specifying the required percentage majority for the partnership to be dissolved and wound up.

A partnership agreement can be altered at any time provided the parties involved agree, but once a dispute arises, that agreement can be elusive. The documents need to be reviewed periodically while relations and communications are good.

Key Contacts



Claire Daly
Manager
Claire.Daly@CavanaghKelly.com



Caoimhe Lowe
Consultant
Caoimhe.Lowe@cavanaghkelly.com