

WHAT SHOULD BE IN YOUR PARTNERSHIP AGREEMENT

Partnership agreements are essential business documents, the importance of which is difficult to overstate. No matter whether your business partner is essentially a stranger or a lifelong friend, it is prudent to have a written partnership agreement.



A good partnership agreement clearly outlines all rights and responsibilities and serves as an essential tool for dealing with fights, disagreements and unforeseen problems. With the right documentation, you can identify and eliminate a wide range of potential headaches and problems before your business even starts.

Determining the Share of Profits, Regular Draw, Contributing Cash and More

Partnership agreements will also outline the share of profits that each partner takes. Other important issues that a partnership agreement should address is determining whether or not each partner gets a regular draw. Invest considerable time to the part of the partnership agreement that outlines how money is to be distributed, as this is an area where a lot of conflict occurs.

The issue of who is contributing cash and services in order to get the business operational should also be addressed in the partnership agreement. Likewise, the percentage that each partner receives should be clearly indicated.

Partnership Agreements Outline and Prevent Potential Problem Areas

Another area of frequent problems is in the realm of who makes business decisions. Here are just a few of the types of questions that must be answered:

- Are business decisions made by a unanimous vote or a majority vote?
- What must take place in order to consider new partners?
- Who will be handling managerial work?
- How will the business continue and what changes will occur in the event of a death?
- At what stage would you have to go to court if a conflict cannot be resolved within the framework of your partnership agreement?

You might just want to get your business running as soon as possible, but not addressing these issues in the beginning could spell disaster down the road.

The Uniform Partnership Act

One option to consider, which is offered in all states except Louisiana, is the Uniform Partnership Act or UPA. The UPA covers all the legal regulations that specifically apply to partnerships.

Reduce Conflict Via a Partnership Agreement

Forming a partnership can be great way to launch a new business, but it is also important to keep in mind that no matter how exciting the process may be it is still a business. New businesses face an array of challenges, and the last thing any new business needs is internal disruption. Mapping out via a partnership agreement the duties and expectations of all partners is an easy and logical way to reduce internal conflict within the business so that you can stay focused on building the business and making money!

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