

Checklist for Drafting a Partnership Agreement with Explanations

1. Introduction and Basics

- **Define the goals and vision of the partnership.**
Clarify why you are forming the partnership and what you aim to achieve. This serves as a shared guideline for collaboration and minimizes misunderstandings.
- **Establish the business mission and strategic direction.**
A clear mission helps set a long-term strategy. Ensure all partners agree on this direction.
- **Align the core values of the partners.**
Different values can lead to conflicts. Agree on the key principles of collaboration to avoid disagreements.

2. Ownership

- **Distribution of ownership shares.**
Specify what percentage of the business belongs to each partner to avoid future disputes.
- **Conditions and procedures for changes in ownership.**
Define how new partners can join or existing ones can exit to prevent uncertainty.
- **Account for each partner's contributions.**
Clearly document each partner's contributions, such as capital, intellectual property, or connections. This ensures fair distribution of rights and responsibilities.

3. Management and Roles

- **Assign roles and positions.**
Specify who is responsible for what to avoid overlapping duties and conflicts over unclear responsibilities.
- **Define the authority of each partner.**
Set clear boundaries for responsibilities so everyone knows what is expected of them.
- **Establish a decision-making hierarchy.**
Outline how key decisions are made, such as by majority vote or unanimous agreement.

4. Finances

- **Set rules for profit distribution.**
Ensure everyone understands how profits are shared to avoid future resentment or dissatisfaction.
- **Regulate additional investments.**
Define how additional funds will be contributed if needed.

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- **Address compensation and insurance terms.**
Discuss how partners will recover their costs and what insurance policies will be in place.

5. Work Obligations

- **Work hours, leave, and employment commitments.**
Set standards for participation, such as mandatory weekly hours and vacation rights.
- **Conditions for retaining partner status.**
For example, a partner must work a minimum amount of time annually.
- **Insurance policies for incapacity.**
Arrange insurance to protect the business if a partner becomes unable to work.

6. Interpersonal Relations

- **Understand personal interaction styles.**
Conduct tests or discussions to assess how different work styles may affect the partnership.
- **Discuss personal and corporate values.**
Ensure all partners agree on the company's core values.
- **Adopt fairness principles in partner relations.**
Define how disputes will be resolved to maintain honesty and fairness.

7. Conflicts and Expectations

- **Establish conflict resolution procedures.**
Define steps for handling disputes, such as mediation or arbitration.
- **Discuss mutual expectations.**
Openly discuss work, contribution, and role expectations.
- **Regulate communication and feedback.**
Define how and when meetings and discussions will be held.

8. Partnership's Future

- **Prepare for non-standard situations.**
For example, define steps to take if a partner leaves or if the business faces a crisis.
- **Conditions for agreement revisions.**
Regularly review the agreement to reflect changes in the business or relationships.
- **Exit principles and share sale conditions.**
Define how shares will be sold or a partner will exit the partnership.

9. Legal Support

- **Formalize all agreements in writing.**
Never rely solely on verbal agreements.

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- **Integrate related documents.**
Include documents like the company charter and financial agreements in the partnership agreement.

10. Control and Accountability

- **Establish quality standards and annual evaluations.**
Develop criteria to objectively assess partners' contributions.
- **Assign responsible parties for specific business areas.**
Delegation and accountability help maintain high performance levels.
- **Define mechanisms for agreement amendments.**
Set a procedure for updating the agreement to keep it relevant.

Recommendations:

1. Include any clause important to a partner in the agreement.
2. Put all verbal agreements into writing.
3. The more detailed the agreement, the easier it is to resolve disputes.
4. Include all related agreements and documents in the final agreement.