

Key Elements for Every Partnership Agreement

You should never forget that your partnership agreement is, in fact, one of the most important business documents you will ever sign. Many people go into business with loved ones, relatives or lifelong friends only to discover (once it's too late) that they should have had a partnership agreement. A partnership agreement protects everyone involved and can help reduce problems that may arise. Outlining what will happen during different potential situations and events in a legal framework can help your business keep running smoothly.



What Should Be in a Partnership Agreement?

Every business is, of course, different; however, with that stated, any partnership should outline, with as much clarity as possible, the rights and responsibilities of all involved. A well written and carefully considered partnership agreement will keep small problems and disagreements from evolving into more elaborate and serious concerns.

There are times to take a DIY approach and then there are times when you should always opt for a professional. When it comes to partnership agreements, it is best to opt for working with a lawyer. Finding competent legal help for drafting your partnership agreement is simply a must.

What is Typically Addressed in a Partnership Agreement?

In theory, a partnership agreement can cover a wide-array of factors. Here are a few points typically addressed in partnership agreements.

What Questions Will a Good Partnership Agreement Address?

1. Which partner(s) are to receive a draw?
2. How is money to be distributed?
3. Who is contributing funds to get the business operational?
4. What percentage will each partner receive?
5. Who will be in charge of managerial work?
6. What must be done in order to bring in new partners?
7. What happens in the event of the death of a partner?
8. How are business decisions made? Are decisions made by a unanimous vote or a majority vote?
9. If a conflict cannot be resolved when must the conflict be resolved in court?

Thanks to partnership agreements, all partners involved can proceed and start a new business with fewer areas of concern. The simple fact is that without a partnership agreement, your business can face a range of disruptions; these would be disruptions that could ultimately spell doom for your business.

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www.OilGasAdvisor.com 844 749-6016 info@OilGasAdvisor.com

Offices serving the oil and gas business across North America

DFW
Don Hankins
DHankins@OilGasAdvisor.com
(817) 615-8393

Tulsa
John Johnson
JJohnson@OilGasAdvisor.com
(918) 749-6016

Tyler
Keith Chapman
KChapman@OilGasAdvisor.com
(903) 245-9233

Williamsport
Gary Papay
GPapay@OilGasAdvisor.com
(570) 584-6488