SMALL BUSINESS LEGAL TEMPLATE

Partnership Agreement Template

A fill-in-the-blank agreement covering ownership, money, decisions, and the exit, before any of them turn into an argument.

Most partnerships do not fail over strategy. They fail because nobody wrote down what happens when one partner stops showing up, wants out, or dies. This template forces those conversations while everyone still likes each other. Fill the blanks, delete what does not apply, then pay a lawyer to review the version you actually intend to sign.

WHAT'S INSIDE

START HERE

How to use this template

This is a working draft, not a finished contract. It is written to surface the decisions partners avoid, in the order they usually become expensive.

1. **Fill Schedule A and B first.** Contributions, equity split, and who decides what. If partners disagree here, the rest of the document is theoretical.
2. **Read every clause out loud together.** The point of this template is the argument it starts, not the paper it produces. A clause nobody objected to is usually a clause nobody read.
3. **Delete what does not apply.** A short agreement you both understand beats a long one you copied. Struck clauses should be removed, not left blank.
4. **Fill the blanks.** Anything shown as a ruled blank needs a number, a name, a date, or a deliberate 'not applicable'.
5. **Send it to a lawyer.** Partnership law, liability, and tax treatment vary by country and state. A one-hour review costs less than the first week of a dispute.
6. **Sign it before you start trading, not after.** Retroactive agreements get renegotiated by whoever has more leverage on the day.

THIS IS NOT LEGAL ADVICE

Gatilab is a WordPress and search agency, not a law firm. This template is a drafting aid built from common partnership terms. It has not been reviewed against the law of your jurisdiction and it does not create a lawyer-client relationship.

Have a qualified lawyer review the final document before anyone signs. Terms that are standard in one country are unenforceable in another, and restrictive covenants in particular vary enormously.

How the blanks work

- __________Party A__________ - a ruled blank with a hint. Replace the whole thing, hint included.
- **Bracketed choices** like *general partnership / LLP / multi-member LLC* mean pick one and delete the rest.
- Any clause marked **optional** can be removed without breaking the rest of the document. Renumber after deleting.

BEFORE YOU FILL ANYTHING IN

Decide your structure first. A general partnership, a limited partnership, an LLP, and a multi-member LLC are taxed differently and expose partners to different personal liability. This template covers terms common to all four, but the entity choice changes which clauses are mandatory and which are optional.

THE AGREEMENT

Parties, formation, and purpose

AGREEMENT DATE	GOVERNING LAW	ENTITY TYPE
DD / MM / YYYY	State / country	GP / LP / LLP / LLC

This Partnership Agreement (the "Agreement") is entered into on the date above between the persons below, each a "Partner" and together the "Partners".

PARTNER	FULL LEGAL NAME (AS ON GOVERNMENT ID)	ADDRESS
1		
2		
3		

1 Formation

The Partners form a general partnership / LLP / multi-member LLC under the laws of jurisdiction, operating under the name business name (the "Partnership"), with its principal place of business at address. It begins on start date and continues until dissolved under Article 26.

2 Purpose and scope

The Partnership is formed to carry on the business of describe the business and any activity reasonably related to it.

The Partnership will not enter a materially different line of business without the consent required for a Major Decision under Article 14, so that one Partner cannot redirect the business into something the others never agreed to fund.

3 Term

The Partnership continues indefinitely unless terminated under this Agreement, or until fixed end date, if any.

4 Definitions

In this Agreement:

- **Capital Account** means the running record of a Partner's contributions, allocated profits and losses, and distributions.
- **Major Decision** means any decision listed in Article 14.
- **Fair Value** means the valuation determined under Article 23.
- **Departing Partner** means a Partner who withdraws, is removed, dies, or is permanently incapacitated.

Capital contributions and ownership

5 Initial capital contributions

Each Partner contributes the cash, property, intellectual property, or services set out in Schedule A. Non-cash contributions are recorded at the agreed value shown in Schedule A, which the Partners confirm is a good-faith estimate of fair value.

Contributions are due on or before ______ date ______. A Partner who fails to contribute on time is subject to Article 8.

6 Ownership percentages

Ownership is divided as set out in Schedule A. Ownership percentages determine liquidation entitlement and, unless Article 10 says otherwise, profit allocation.

Ownership does not automatically equal voting power. Voting is governed by Article 13.

7 Additional capital

No Partner is obliged to contribute additional capital unless all Partners agree in writing.

If additional capital is required and approved, each Partner may contribute pro rata to ownership. A Partner who declines is **diluted** in proportion to the shortfall, calculated as: new ownership = (existing capital + new contribution) divided by total capital after the round.

Optional alternative: instead of dilution, a contributing Partner may treat the shortfall as a loan to the Partnership at ______ interest rate ______ percent per annum, repayable before any distribution under Article 11.

8 Vesting and failure to contribute

Equity issued for future services vests over ______ 48 ______ months with a ______ 12 ______ month cliff. Unvested equity held by a Departing Partner is forfeited and reallocated to the remaining Partners pro rata.

A Partner who fails to make a required contribution within ______ 30 ______ days of written notice forfeits ______ describe consequence - dilution, loss of voting rights, or removal ______.

THE CLAUSE PARTNERS REGRET SKIPPING

Vesting is the single most valuable clause in this document. Without it, a partner who leaves in month three keeps the same equity as the partner who stays for a decade. Four-year vesting with a one-year cliff is the market standard for a reason.

Profits, losses, and distributions

9 Allocation of profits and losses

Net profits and losses are allocated to the Partners in proportion to ownership / as set out in Schedule A at the end of each month / quarter / financial year.

10 Partner compensation

Partners working in the business receive the compensation set out in Schedule B. Compensation is an expense of the Partnership and is paid before profit allocation.

Compensation is reviewed annually and may only be changed by a Major Decision.

A Partner who reduces their agreed time commitment by more than 25 percent for more than 60 consecutive days has their compensation reduced proportionally, unless the Partners agree otherwise in writing.

11 Distributions

The Partnership distributes available cash quarterly, after retaining a reserve of amount or number of months of operating expenses.

Distributions are made in proportion to ownership. No Partner may take a distribution ahead of the others without written consent.

Tax distributions. Where partnership income is taxed personally, the Partnership will distribute at least enough cash for each Partner to cover the tax on their allocated share, before any discretionary distribution.

12 Expenses and reimbursement

Partners are reimbursed for reasonable business expenses incurred on behalf of the Partnership, submitted within 30 days with receipts.

Expenses above amount require prior written approval from another Partner.

- Approved without prior consent: list categories
- Never reimbursable: list exclusions

FILL THIS IN BEFORE YOU SIGN

The reserve figure in Article 11 is where most partnership arguments actually start. One partner wants the cash out; the other wants the runway. Agreeing a number now, in writing, is cheaper than negotiating it during a slow quarter.

CONTROL

Management and decision rights

13 Day-to-day management

Each Partner manages the functional areas assigned to them in Schedule B and may bind the Partnership within that scope up to amount per transaction.

Voting on all other matters is one vote per Partner / weighted by ownership .

14 Major Decisions

The following require unanimous / supermajority of __ percent written consent:

- Any single expenditure or commitment above amount
- Borrowing money, granting security, or guaranteeing third-party obligations
- Hiring, firing, or changing compensation of any Partner
- Admitting a new Partner or issuing new equity
- Selling, licensing, or encumbering Partnership intellectual property
- Entering a materially different line of business
- Selling the business or substantially all of its assets
- Changing this Agreement
- Beginning or settling litigation above amount

15 Meetings and records

Partners meet at least monthly with 7 days notice. A quorum is describe . Decisions are recorded in writing and circulated within 5 business days. A decision taken without a recorded vote is not binding on a Partner who objects in writing within 10 business days.

16 Deadlock

If the Partners cannot agree a Major Decision within 21 days, the matter goes to the escalation path below, in order:

- **Structured discussion.** A documented meeting with a written position from each Partner.
- **Neutral mediation.** A mediator agreed by the Partners, or appointed by naming body if they cannot agree. Costs shared equally.
- **Casting vote or buy-sell.** Choose one: a named Partner or advisor holds a casting vote / either Partner may trigger the buy-sell process in Article 24 .

WHY 50/50 IS A TRAP

An even split with no tiebreaker lets any disagreement freeze the business indefinitely. Keep 50/50 economics if you want, but give one Partner a casting vote on a defined list of operational matters. Equal pay, unequal control, written down.

Books, banking, and tax

17 Books and records

The Partnership keeps complete accounting records at location or system. Every Partner has the right to inspect them at any reasonable time, without giving a reason.

Financial statements are prepared monthly / quarterly and circulated to all Partners within 15 days of period end.

18 Banking and signing authority

Partnership funds are held in accounts in the Partnership's name at bank. No Partner may commingle Partnership funds with personal funds.

TRANSACTION	AUTHORITY REQUIRED	LIMIT
Routine operating payment	Single Partner	
Payroll and recurring subscriptions	Single Partner	
Capital expenditure	Two Partners	
New debt or credit facility	All Partners	
Transfer to a Partner's personal account	All Partners	

19 Tax matters

Partner name is designated the partnership representative for tax purposes and files all required returns.

Each Partner is responsible for tax on their allocated share of income. The Partnership makes tax distributions under Article 11.

The Partnership's financial year ends on date.

20 Insurance

The Partnership will maintain general liability / professional indemnity / cyber insurance with minimum cover of amount.

Optional but strongly recommended: the Partnership will maintain key-person life insurance on each Partner, with the Partnership as beneficiary, in an amount at least equal to that Partner's buyout value under Article 23. This is what makes a death buyout affordable instead of theoretical.

THE EXIT

Transfers and departure

21 Restriction on transfer

No Partner may sell, assign, pledge, or otherwise transfer any part of their interest without the prior written consent of all other Partners.

Any transfer attempted in breach of this Article is void.

22 Right of first refusal

A Partner who receives a bona fide third-party offer must first offer the interest to the remaining Partners on the same terms, in writing.

The remaining Partners have 30 days to accept, pro rata to their existing ownership. If they decline or do not respond, the selling Partner may complete the third-party sale on terms no more favourable, within 90 days.

23 Departure and buyout

A Partner may withdraw on 90 days written notice. On withdrawal, death, permanent incapacity, or removal for cause, the Partnership or the remaining Partners will purchase the Departing Partner's vested interest.

Valuation. Fair Value is determined by choose one :

- An agreed multiple of trailing 12-month revenue / EBITDA of multiple x
- An independent valuer appointed by agreement, costs shared equally
- A price the Partners agree and record annually in Schedule A

Payment. The price is paid in full on completion / over *months with* percent interest . A Partner removed for cause under Article 25 is bought out at percentage percent of Fair Value.

24 Buy-sell (shotgun) - optional

If deadlock is unresolved under Article 16, either Partner may serve notice offering to buy the other's interest at a stated price per percentage point.

The receiving Partner has 30 days to either sell at that price or buy the offering Partner's interest at the same price. This makes an unfair price expensive to propose.

25 Removal for cause

A Partner may be removed by written notice of all other Partners for:

- Material breach of this Agreement not cured within 30 days of notice
- Fraud, theft, or dishonesty affecting the Partnership
- Conviction of an offence that materially damages the Partnership
- Abandonment - failure to perform agreed duties for 60 consecutive days without agreed leave

Dissolution, covenants, and general terms

26 Dissolution

The Partnership dissolves on unanimous written agreement, on sale of substantially all assets, or where required by law.

On dissolution, assets are applied in this order: creditors other than Partners; Partner loans; Capital Accounts; then any surplus to the Partners in proportion to ownership.

27 Confidentiality

Each Partner will keep Partnership information confidential during the Partnership and after leaving it, except where disclosure is required by law.

28 Non-compete and non-solicitation

For 12 months after departure, a Departing Partner will not, within geographic scope:

- Carry on a business that directly competes with the Partnership's business as it was conducted at the date of departure
- Solicit any client the Partnership served in the 12 months before departure
- Solicit any Partnership employee or contractor

Enforceability warning: non-competes are void or heavily restricted in many jurisdictions, including California and, for most workers, under recent rules in several others. Non-solicitation clauses survive far more often than non-competes. Have this Article reviewed locally before relying on it.

29 Intellectual property

All intellectual property created by a Partner in the course of the Partnership's business belongs to the Partnership.

Intellectual property a Partner owned before the Partnership and contributed for use is listed in Schedule A and remains that Partner's property, licensed to the Partnership on the terms stated there.

Disputes and general terms

30 Dispute resolution

Disputes are escalated in this order: direct negotiation for 14 days; then mediation under named rules or body ; then binding arbitration in / *the courts of* .

Each party bears its own costs unless the arbitrator or court orders otherwise.

31 Notices

Notices under this Agreement must be in writing and delivered by email to the addresses in Article 1, with a copy by post / recorded delivery . Notice is deemed given on delivery / 2 business days after sending .

32 General

- **Entire agreement.** This Agreement replaces all prior understandings between the Partners on its subject matter.
- **Amendment.** Only by written agreement signed by all Partners.
- **Severability.** If a clause is unenforceable, the rest continues in force.
- **Governing law.** The laws of jurisdiction .
- **Counterparts.** This Agreement may be signed in counterparts, including electronically.

SCHEDULE A

Contributions and equity

Complete this before reading the rest of the agreement again. If the numbers here are wrong, every clause that references them is wrong too.

A1. Capital contributions

PARTNER	CASH	PROPERTY / IP / OTHER	AGREED VALUE	DATE DUE

A2. Ownership and profit split

PARTNER	OWNERSHIP %	PROFIT SHARE %	VOTING BASIS	VESTING

SANITY CHECK

Ownership must total 100 percent. Profit share must total 100 percent. If the two columns differ, Article 9 needs to say so explicitly, otherwise your accountant and your tax filing will disagree with your agreement.

A3. Pre-owned intellectual property retained by a Partner

PARTNER	ASSET	LICENSED TO THE PARTNERSHIP ON THESE TERMS

SCHEDULE B

Roles and decision matrix

B1. Roles, time, and compensation

PARTNER	FUNCTIONAL AREA OWNED	HOURS PER WEEK	COMPENSATION

B2. Who decides what

Mark each row A (acts alone), C (must consult), or U (needs unanimous consent). Every blank row here is a future argument.

DECISION	PARTNER 1	PARTNER 2	PARTNER 3	THRESHOLD
Client pricing and discounts				
Hiring an employee or contractor				
Signing a client contract				
Buying software or equipment				
Taking on debt				
Changing the product or service line				

B3. Outside activities each Partner may keep

ANYTHING NOT LISTED HERE IS COVERED BY ARTICLE 28

B4. Agreed annual valuation (Article 23)

VALUATION AS AT	AGREED ENTERPRISE VALUE	METHOD USED

Review every 12 months

EXECUTION

Signature page

The Partners have read this Agreement in full, have had the opportunity to take independent legal advice, and agree to be bound by it as of the date first written above.

PARTNERSHIP NAME

AGREEMENT DATE

PARTNER 1

Signature

Printed name

Title

Date

PARTNER 2

Signature

Printed name

Title

Date

PARTNER 3 (IF APPLICABLE)

Signature

Printed name

Title

Date

WITNESS OR NOTARY (IF REQUIRED)

Signature

Printed name

Title

Date

BEFORE FILING THIS AWAY

Give every Partner a signed copy, store one with your accountant, and diarise the annual valuation in Schedule A4. An agreement nobody can find is an agreement nobody has.

LAST STEP

Pre-signing negotiation checklist

Run this together, out loud, before anyone signs. A no on any line is not a problem. A silence is.

Money

- [ ] Every Partner can state the others' contribution from memory, and agrees it is fairly valued
- [ ] Ownership and profit share both total 100 percent, and any difference between them is deliberate
- [ ] The cash reserve figure in Article 11 is a number, not a principle
- [ ] Everyone knows what they will personally be paid next month, and when that changes
- [ ] Tax distributions are covered, so nobody gets a tax bill with no cash to pay it

Control

- [ ] The Major Decision list in Article 14 matches how you actually intend to run the business
- [ ] There is a real tiebreaker, not just a promise to be reasonable
- [ ] Each Partner can name the areas the others own without checking Schedule B
- [ ] Spending limits are numbers everyone remembers

The exit

- [ ] You have said out loud what happens if one of you wants out in year two
- [ ] You have said out loud what happens if one of you dies
- [ ] The buyout valuation method produces a number you would both accept on either side of the trade
- [ ] The buyout is fundable - by insurance, instalments, or cash on hand
- [ ] Vesting is in place and everyone understands what they would forfeit by leaving early
- [ ] The non-compete has been checked against local law, not assumed

THE TEST THAT MATTERS

Ask each Partner to argue the other side. If you cannot state your partner's likely objection to a clause, you have not negotiated it yet - you have just agreed not to discuss it.

WHO MADE THIS

We build the systems behind the paperwork

Gatilab is an independent WordPress and search agency. We build sites, rank them, and stay long enough to prove the work moved something.

2014	850+	2,000+	10,000+
Founded	Clients served	Projects completed	Plugin installs

What we do

WordPress engineering

Custom themes, blocks, plugins, and migrations built to stay fast and maintainable after handoff.

SEO strategy

Technical fixes, topical coverage, and search visibility work measured against clicks, not scores.

Content marketing

Research-led articles and editorial systems your team can keep publishing without us.

Conversion design

Landing pages, service pages, and forms designed around the decision the reader is actually making.

Need this handled instead of templated?

Send the problem, not a brief. We will tell you whether it is worth building, what it depends on, and what we would deliberately skip. If the honest answer is that you do not need us, you will get that too.

Start a project

gatilab.com/connect

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