

# PARTNERSHIPS

## THE PARTNERSHIP AGREEMENT

There is no requirement to have a formal written or oral agreement when forming a partnership. The actions of the partners, such as payment of debt out of the proceeds of the partnership or sharing profits, may be taken to imply a partnership. However, it is strongly recommended that a formal Partnership Agreement setting out each partner's rights and responsibilities be drawn up and signed by each partner. Such an agreement should contain at least the following:

1. Name, address, and purpose of partnership
2. Name and address of each partner
3. Amount of capital invested
4. How profits and losses will be shared
5. Drawing privileges (if any) of the partners
6. Duties of each partner
7. Limits of each partner's individual action eg. cheques over \$1500 must be co-signed
8. How retired/deceased/expelled partner's share of business will be computed
9. How disputes between partners will be settled eg. arbitration or court action
10. How partnership will be dissolved in case of a disagreement or other cause
11. Term of partnership
12. Termination and valuation clauses

It is usually beneficial to have the partners write out their agreement in full before taking it to a lawyer to have it made legally binding. This has two effects; first, all partners will fully understand what the agreement means, and second, it will probably minimize the cost.

Business Name as well as the names and pertinent information of all the partners must be registered with the Ministry of Government Services (MGS) under the Business Names Act. The registration must be renewed every five years.

**Please note:** The registration of the business name does not in itself ensure the exclusive use of that name in Ontario for the individual/partnership registering it. MGS has no obligation to avoid name duplication or to advise anyone registering a name that it has been previously registered.

## **Ontario Business Name Search & Registration**

**On-line Registration:** [www.serviceontario.ca](http://www.serviceontario.ca)

### **In Person:**

Service Ontario  
100 Dundas Street  
London ON  
N6A 6G8  
1-800-565-1921

# EXAMPLE OF AN AGREEMENT OF PARTNERSHIP

(From Canadian Business Law, 3rd ed)

## AGREEMENT OF PARTNERSHIP

**AGREEMENT** made this 10th day of January, 2000.

### **BETWEEN**

Ralph Crocker, of 7 Cronin Drive, Brampton, Ontario,  
**and**  
Wolfgang Ostler, of 3572 Maitland Road, Mississauga, Ontario

**IN CONSIDERATION** of the sum of One dollar paid by each party to the other (the receipt whereof is hereby acknowledged) the parties do hereby mutually covenant and agree as follows:

That the said parties will, as partners, engage in and conduct the business of a hardware store.

1. That the name of the firm shall be Brampton Hardware.
2. That the term of the partnership shall commence on the 1st day of February 2000, and shall continue until one month after one partner has notified the other partner in writing of his intention to withdraw from the partnership.
4. That the place of business shall be Sherwood Mall, Brampton, Ontario.
5. a) That the capital of the firm shall be \$40,000 to be contributed in equal cash amounts of \$20,000 each on the signing of the Agreement.  
b) That neither party's contribution to the partnership shall bear him interest.
6. That the partnership capital and all other partnership moneys shall be deposited in the Sherwood Mall branch of the Bank of Nova Scotia, from which all withdrawals shall be only by cheques signed jointly by both partners.
7. a) That books of accounts shall be kept in accordance with standard accounting procedures.  
b) That these books shall be kept on the premises and shall be open to the inspection of either partner.
8. That each partner shall be entitled to draw \$500 per week from the funds of the partnership on account of his profits.
9. a) That at the end of January of every year, an inventory shall be taken and the assets, liabilities, and gross and net income of the business ascertained.  
b) That the net profit or net loss shall be divided equally between the partners, and the account of each shall be credited or debited accordingly.
10. That neither partner shall, without the written consent of the other, draw, accept, sign or endorse any bill the term of the partnership, engage in any other business.
11. That should one of the partners die, his executors shall be entitled to receive the value of his share of the partnership progeny at the time of his death, together with 1% per month interest in lieu of profit from the day until final settlement of the propels.
12. That on termination or dissolution of the partnership, other than by death of a partner, an audit shall immediately be made of the firm's assets and liabilities and the balance be divided equally between the partners.
13. a) That in the event of a disagreement between the partners as to the conduct of the business, as to its dissolution, or as to any other matter concerning the business, the same shall be referred to arbitration within 10 days of written notice being served by one partner or the other.  
b) That each partner shall appoint one arbitrator, who shall in turn appoint a third arbitrator.  
c) That the matter referred to arbitration shall be decided by simple majority of the arbitrators.

**IN WITNESS THEREOF** the parties hereto set their hands and seals, the day and year first above written.

Witnesses:

Ray Pilarski

Ralph Crocker

Henry Brown

Wolfgang Ostler

Recommendations for additions:

1. The partnership will not terminate upon death. If this statement is not included, according to the Partnership Act, the partnership will automatically end if one partner dies.
2. There should also be a valuation clause included in the agreement.
3. It is not absolutely necessary to have three arbitrators. One arbitrator should suffice. The arbitrator's decision is final and binding.