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THINGS TO CONSIDER BEFORE JOINING A PARTNERSHIP



THE "BIZ PRENUP"

While the technical term for a "partnership agreement" can come in various forms (operating agreement, bylaws, etc.), the ultimate goal is the same: to outline the parameters of how the venture will operate.

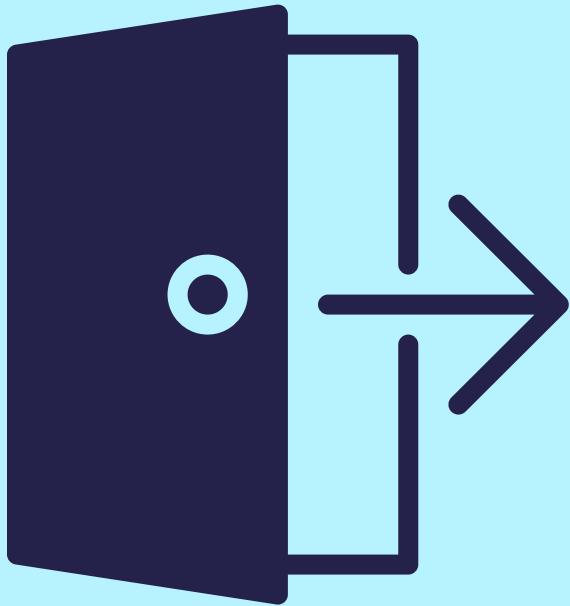
YOU SHOULD HAVE A FORMAL AGREEMENT DRAFTED AND SIGNED BY ALL THE PARTNERS. (READ THIS TWICE!)

A poorly written partnership agreement (or no agreement at all) can cause massive headaches down the line.



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EXIT STRATEGY



Let's be honest - sometime relationships don't work out. This shouldn't mean however, that you have to lose everything as a former partner. Especially if you've put your all into the business, trying to make it work.

The written agreement should clearly outline what happens if the event a partner wishes to leave voluntarily, if a partner can be removed *involuntarily*, what happens in the event of death, disability, insolvency, bankruptcy or incapacitation, and what happens to the departing members ownership interest.

Failure to adequately address these scenarios can lead to unnecessary upset.

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OWNERSHIP VS. DUTIES



Many people assume partnerships are preferable because you can spread the initial costs amongst the partners. While this is true, it can also be a recipe for resentment if not properly handled.

There are few feelings worse than having to split profits 50/50 with a partner who has not been pulling their weight.

Duties, roles and responsibilities should be clearly provided out at the outset. The written agreement should also address how disputes/disagreements will be resolved.

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COMPATIBILITY

Similar to your personal relationships, compatibility in your business relationships is paramount.

Do you complement each other's strengths and weaknesses? Are your goals and values aligned? Do you have a similar work ethic? A similar disposition when resolving disputes? While it is not necessary that your partners behave in exactly the same manner as you, these are all important factors to consider before joining a partnership.

Ultimately, everyone's attitudes should be aligned toward the same goals in order to achieve success.



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NOTHING PERSONAL

A key component to any successful partnership is the ability to look at things objectively: It's not personal, it's just business. This can prove more difficult when dealing with long time friends or family members, as pre-existing relationships can often cause glaring issues to go overlooked.

Does this mean you should not do business with friends and family? Not at all! Some of the best business ventures are built on prior relationships. However, familiarity should not replace the formal process of owning and operating a successful business!



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ATLANTA

404.890.5832

NASHVILLE

615.903.2025

INFO@THEODOREFIRM.COM