



PARTNERSHIP AGREEMENT

Date:

Parties:

1 [] of []

2 [] of []

[] of []

Operative provisions:

A: THE PARTNERSHIP BUSINESS

Interpretation

In this agreement, unless the context otherwise requires, the following words and expressions have the meanings stated:

“**ACCOUNTANTS**” [] of [] or such other firm of chartered accountants as the Managing Partner appoints;

“**ACCOUNTING DATE**” [] in each year or such other date as the Managing Partner determines;

“**ACCOUNTING PERIOD**” [in the case of the first Accounting Period, the period between the commencement of the Partnership business and the first Accounting Date, and, for subsequent Accounting Periods,] a period commencing on the day following an Accounting Date and ending on the next Accounting Date;

“**CONTINUING PARTNERS**” the Partners who continue to be members of the Partnership after a Succession Date;

“**FORMER PARTNER**” a person who has ceased to be a Partner;

“**MANAGING PARTNER**” the Partner occupying the office of managing partner in accordance with clause 12;

“**OUTGOING PARTNER**” a Partner who ceases to be a member of the Partnership for any reason;

“**PARTNERS**” the parties to this agreement and any other person who is admitted to the Partnership and agrees to be bound by the terms of this agreement (but excluding a Former Partner) and references to a “**PARTNER**” shall be construed accordingly;

“**PARTNERSHIP**” the Partnership carried on by the Partners under this agreement as varied by any supplemental agreement;

“**POINTS**” the points to which the Partners are entitled under clause 7;

“**SUCCESSION DATE**” a date on which an Outgoing Partner ceases, or is deemed under this agreement to cease, to be a Partner.

Reference to a Partner, Former Partner or Outgoing Partner (where the context admits) includes a reference to his personal representatives, estate, receiver or trustee in



bankruptcy.

Reference to a statute or statutory provision includes a reference to that statute or statutory provision as amended, extended or re-enacted.

Words denoting the singular number include the plural and vice versa.

Unless the context otherwise requires, a reference to any clause, sub-clause, paragraph or schedule is to a clause, sub-clause, paragraph or schedule of or to this agreement.

Business of the partnership

The Partners are partners in the [business] [practice] of [_____].

The Partners shall at all times conform to the rules and regulations of [_____].

Firm name and location

The Partnership business shall be carried on under the name [_____].

The principal place of business of the Partnership shall be [_____] or such other place as is determined by the Partners.

Duration

The Partnership shall continue [until [_____]] [for the joint lives of the Partners] or until its earlier termination under this agreement.

Partnership property

All the assets used for the purposes of the Partnership business shall be Partnership property and shall belong to the Partners in the proportions in which they share the profits of the Partnership.

The premises referred to in clause 3.2 are held by the Partners as Partnership property. The cost of all rent, rates, repairs, insurance and other outgoings and expenses relating to the premises and to any other premises acquired for the purpose of the Partnership business shall be borne by the Partnership.]

- [5.2 The legal estate in all freehold or leasehold properties acquired for the purpose of the Partnership shall be vested in the Partners upon trust for sale or in some of the Partners as trustees for all the Partners. The net proceeds of sale and the rents and profits until sale shall form part of the Partnership assets. The trustees shall be indemnified by the Partnership against the rent and other outgoings in respect of the properties and the costs and expenses of observing the covenants relating to them.]

B: FINANCIAL PROVISIONS



Capital

The capital of the Partnership is £[_____] for each Point (and pro rata for fractions of a Point) or such other amount as is determined by resolution of the Partners. If the Partners determine to increase the capital of the Partnership, each Partner shall pay his share of the increase on the relevant resolution being passed or on such other date as the resolution specifies.

The capital of the Partnership shall belong to the Partners in the proportions in which it has been contributed.

If a person is admitted to the Partnership or if the Points entitlement of a Partner is increased, he shall, upon admission or upon the increase taking effect, contribute to the capital of the Partnership the amount applicable under clause 6.1 for each Point or fraction of a Point to which he is entitled on admission or by which his Points entitlement is increased. If the Points entitlement of a Partner is reduced, the Partnership shall repay to him upon the reduction taking effect a part of his capital pro rata to the reduction in his Points entitlement.

Each of the Partners shall be entitled to interest at the rate of [_____] per cent per annum on the amount of his share of the Partnership capital to be calculated on a day to day basis and to be credited each year before the profits are divided.

Profits and losses

The profits or losses of the Partnership for each Accounting Period (including capital profits or losses realised in the Period) shall belong to and be borne by the Partners in proportion to the numbers of Points to which they are each entitled at the end of the Accounting Period. The present entitlements of the Partners to Points are as follows: [_____].

The Points entitlement of each Partner shall be increased by one Point at the beginning of each Accounting Period commencing after the date of this agreement but subject to a maximum entitlement of [_____] Points for each Partner. [The Managing Partner] [The Partners by resolution] may determine that, because of particular merit, a Partner shall be entitled to an extra Point for one or more Accounting Periods but subject to the maximum entitlement mentioned above.

The balance of the profits of the Partnership of each Accounting Period, after taking into account drawings in anticipation of profits under clause 8.1 [and reserves made under clause 11.2] and after deducting interest under clause 6.4, shall be distributed amongst the Partners in their due shares immediately after the signing of the accounts for that Period.

If in an Accounting Period the aggregate amount drawn out by a Partner is found to exceed the amount of his share of the profits for the Period [, after making reserves in accordance with clause 11.2,] or if the Partnership makes a loss, he shall, immediately after the signing of the accounts for that Period, repay the excess or, as appropriate, the



amount drawn by him together with his share of the loss.

Drawings

Each Partner shall be entitled to draw out of the Partnership funds for his own use every month, on account of his accruing share of the profits of the then current Accounting Period, the sum of £[_____] for each Point to which he is entitled for that Accounting Period or such other sum as is determined by the Managing Partner. No sum shall, however, be drawn unless there is money in the Partnership bank account or there are banking facilities available for that purpose in excess of sums required for the current expenses of the Partnership.

The Managing Partner shall adjust the amount determined under clause 8.1 in respect of each Accounting Period if and when he is of the opinion that, to achieve a fair distribution policy pending the finalisation of the Accounts for that Period, it would be desirable to do so.

Advances to the partnership

If a Partner, with the consent [in writing] of the other Partners, advances a sum of money to the Partnership in excess of his due contribution to capital, the advance shall be a debt due from the Partnership to him and shall carry interest, calculated on a day to day basis at the rate of [_____] per cent per annum and payable yearly on each Accounting Date whilst the advance remains outstanding and on repayment.

The sum advanced shall not be deemed to be an increase in the Partner's capital or entitle him to an increased share in the profits of the Partnership.

An advance made under clause 9.1 shall be repaid, together with accrued interest, at the expiration of not less than [_____] months' notice in writing given by the Partner who made the advance to the other Partners or vice versa.

Bankers

The bankers of the Partnership shall be [_____] Bank plc or such other bankers as the Managing Partner determines.

All Partnership moneys (not required for current expenses) shall, as and when received, be paid into the Partnership bank account.

Partnership cheques shall require the signature of any two Partners.

Records and account

Proper books of account and entry shall be kept and made by the Partners. Each Partner shall duly and punctually make full and proper entries of all business transacted by him on account of the Partnership.

[11.2 As soon as practicable after each Accounting Date, a balance sheet and profit and loss account shall be prepared of all the assets and liabilities of



the Partnership on that Date and of all dealings and transactions of the Partnership during the Accounting Period ending on that Date. The balance sheet and profit and loss account shall be prepared and audited by the Accountant and shall be signed by all the Partners. When signed, they shall be binding on the Partners except for any manifest error which has been identified within three calendar months after signature.]

- [11.2 As soon as practicable after the end of each Accounting Period, a balance sheet shall be prepared as at the Accounting Date of the assets and liabilities of the Partnership and a profit and loss account in respect of all transactions of the Partnership during the then preceding Accounting Period. The balance sheet and profit and loss account shall be prepared on the basis of accounting principles approved by the Managing Partner and shall be audited by the Accountants.

Before the Partners sign the balance sheet and profit and loss account, they shall by resolution determine what sums ought to be provided, reserved or set aside for the following matters:

the payment of taxation in respect of each Partner's share of the profits of the Partnership;

the repayment of borrowings by the Partnership;

the cost of any agreed expansion of the Partnership business; and

any other provision which the Partners consider reasonable or prudent.

The Partners shall also by resolution determine whether any amount provided, reserved or set aside in an earlier Accounting Period may be released.

- 11.4 Each balance sheet and profit and loss account shall be agreed to and signed by all the Partners and, when signed, shall be binding on all the Partners except that, if any manifest error is detected and pointed out by any Partner to the Managing Partner within three calendar months after signature, the error shall be rectified.]

- 11.[3][5] Each Partner shall be entitled [,after determination of the sums which are to be reserved, provided, set aside or released under clause 11.3,] to draw out of the Partnership's bank account the undrawn balance (if any) of his share of the profits shown in the profit and loss account [,less his share of the amounts reserved, provided or set aside under clause 11.2, together with his share of any amount released under clause 11.3. The balance not drawn by him shall be placed to the credit of his capital amount with the Partnership].

C: MANAGERIAL PROVISIONS



Managing Partner

The day to day management of the Partnership shall be the responsibility of the Managing Partner.

The Managing Partner shall be elected for successive terms of three Accounting Periods. The first Managing Partner shall be [_____] whose term of office shall end on [_____].

The election of a Managing Partner shall be by a majority vote of the Partners and shall take place at the last meeting of the Partners held under clause 13.2 before his term of office begins. A Managing Partner whose term of office is about to expire shall be eligible for re-election.

A Managing Partner may, at any time, be removed and replaced by a majority resolution of the Partners. The new Managing Partner shall continue in office until the term of office of the Managing Partner he replaces would have expired.

When anyone or anything may be appointed or determined by the Managing Partner under this agreement, he or it may alternatively be appointed or determined by a majority resolution of the Partners.

Meetings and voting

The Managing Partner, or Partners having the right to at least ten per cent of the total voting rights of the Partners, may at any time call a meeting of the Partnership. If the purpose is to consider a resolution requiring the unanimous decision of the Partners, at least [_____] days' notice in writing is required. For any other meeting, at least [_____] days' notice in writing is required.

A general meeting of the Partners shall be convened at intervals of approximately six months as determined by the Managing Partner to consider the business and affairs of the Partnership.

Notices of meetings of the Partnership shall specify the place, day and hour of the meeting and shall contain a statement of the matters to be discussed.

The chairman of the meeting shall be the Managing Partner but he shall not be entitled to any casting vote by reason of being chairman.

All matters considered at a meeting of the Partners or to be determined by the Partners shall be decided by a majority vote except that the following matters shall require a unanimous resolution of all the Partners [present, in person or by proxy]:

borrowing any sum in excess of £[_____];

giving a guarantee;



opening a new branch office or closing an existing office;

increasing the capital of the Partnership;

introducing into the Partnership a new Partner (whether profit sharing, salaried or otherwise); and

amending this agreement.

A Partner may appoint another Partner as his proxy to vote on his behalf on a resolution. To be effective, the proxy form must be given to the Managing Partner not less than [_____] hours before the time for holding the meeting.

The quorum for a meeting shall be [_____] Partners entitled to not less than [_____] per cent of the total voting rights of the Partners. If a quorum is not present within fifteen minutes of the time for which the meeting is convened, the meeting shall be cancelled.

Where a resolution is to be decided by a majority vote, each Partner present in person or by proxy shall have one vote for each Point (and pro rata for fractions of a Point) to which he, and any Partner for whom he is a proxy, is then entitled.

Minutes shall be taken of all meetings of Partners and (subject to any agreed amendments) shall be approved and signed by the chairman of the next following meeting. The minutes, when signed, shall be binding on all the Partners.

Holidays

Each Partner shall be entitled (in addition to public holidays) to holidays not exceeding in aggregate [_____] weeks in each Accounting Period. Not more than ten consecutive working days' holiday shall be taken at any one time without the prior consent of the Managing Partner.

Absence

If, in any Accounting Period, a Partner is absent from Partnership business as a result of illness or injury for more than [_____] days in total, his entitlement to Points for the purpose of determining his share of profits for that Accounting Period (but not for determining his liability for losses) shall be reduced by a fraction of which the numerator is the number of excess days of absence and the denominator is 365.

Motor cars

All cars required for the purposes of the Partnership business shall be purchased by or leased to the Partnership. The cost of all repairs, maintenance, insurance, VAT and tax shall be borne by the Partnership.

Insurance

All buildings, machinery, office equipment and other assets of the Partnership of an



insurable nature shall, at the cost of the Partnership, be kept insured to their full replacement value with reputable insurers approved by the Managing Partner. All insurance money received in the event of loss or damage shall, so far as possible, be applied in making good the loss or damage.

The Partnership shall maintain policies of insurance for such amounts as the Managing Partner determines in respect of employer's liability, public liability, professional negligence and loss of profits consequent upon destruction of or damage to the Partnership premises.

D: THE PARTNERS' OBLIGATIONS AND RESTRICTIONS

Good faith

Each Partner shall at all times:

be just and faithful to the other Partners in all matters relating to the Partnership and give a true account when reasonably required to do so by the Managing Partner;

devote his whole time and attention to the business of the Partnership and use his best skills and endeavours to carry it on for the benefit of the Partnership;

conduct himself in a proper and responsible manner; and

use his best endeavours to promote the Partnership business.

Restrictions on partners

No Partner shall without the prior [written] consent of the Managing Partner:

engage directly or indirectly in any business other than that of the Partnership;

engage or (except for gross misconduct) dismiss any employee of the Partnership earning more than £[_____] per annum;

employ any of the assets of the Partnership or pledge its credit otherwise than in the ordinary course of business and for the benefit of the Partnership;

compromise or compound or (except upon payment in full) release or discharge any debt due to the Partnership;

lend money or give credit on behalf of the Partnership or have any dealings with any person, firm or company with whom the Managing Partner has forbidden him to deal;

buy or contract for any goods, services or property on behalf of the Partnership involving an aggregate commitment of more than £[_____] or lease any asset for an amount involving more than £[_____] per annum or £[_____] over the term of the lease;

give any guarantee on behalf of the Partnership;



enter into any bond or become bail, surety or security with or for any person, firm or company or do or knowingly cause or suffer to be done anything if, as a result, any Partnership property may be taken in execution or otherwise endangered;

[assign, mortgage or charge his share in the Partnership or] enter into partnership with any other person, firm or company concerning his share in the Partnership.

The provisions of clause 19.1, other than sub-clauses 19.1.1, 19.1.8 and 19.1.9, shall not apply to the Managing Partner unless the other Partners by a majority resolution direct.

E: TERMINATION PROVISIONS

Continuance of partnership

When a Partner ceases to be a Partner for any reason, then, unless the Continuing Partners otherwise decide, the Partnership shall not determine as between the Continuing Partners and they shall continue in Partnership upon the terms of this agreement.

Retirement

Any Partner may retire from the Partnership [at any time following his sixtieth birthday] on giving not less than [_____] months' notice in writing to the Managing Partner expiring on an Accounting Date [or on such earlier date as may be necessitated by medical or other reasons and agreed to by the Managing Partner]. The Partner shall be deemed to retire on the expiry of the notice.

Each Partner shall retire on the Accounting Date next following his sixty-fifth birthday unless he agrees, at the request of all of the Partners, to remain as a Partner for such further period as is agreed by all the Partners.

Expulsion

If a Partner (the "defaulting Partner"):

is unable to perform his duties as a Partner by reason of illness, injury or other cause for a period of [_____] consecutive months or for an aggregate of more than [_____] months during any period of twelve months; or

commits an act of bankruptcy or is adjudicated bankrupt or allows his share of the Partnership to be charged for his separate debt under the Partnership Act 1890; or

becomes a patient under any statute relating to mental health; or

commits a grave breach or consistent breaches of this agreement; or

fails to pay any monies owing by him to the Partnership within [_____] days of being requested in writing by the Managing Partner to do so; or

is guilty of conduct likely to have a serious adverse effect upon the Partnership business;



or

absents himself from the business of the Partnership without proper cause and without the consent of the Managing Partner for more than [_____] months in any period of twelve months;

then upon the Managing Partner (or, if the Managing Partner is the defaulting Partner, the other Partners) becoming aware of the circumstances the Managing Partner (or, as the case may be, the other Partners) may by notice in writing determine the Partnership as far as it concerns the defaulting Partner. The defaulting Partner shall be deemed to have retired on the date of the notice.

The Partners may by notice in writing signed by all of them (other than the one to whom the notice is addressed) request a Partner to retire from the Partnership. If he does not retire within [_____] days after the notice is given, he shall at the expiration of that period be deemed to have retired.

Outgoing partner's share

The provisions of Schedule 1 apply in relation to an Outgoing Partner.

Determination of the Partnership

Upon the determination of the Partnership an account shall be taken of all the assets and liabilities of the Partnership and of its transactions. With all convenient speed, the assets shall be sold, realized or collected and the proceeds applied in discharging the liabilities and expenses of and incidental to the winding up of the Partnership affairs.

The balance of the assets of the Partnership shall be applied in paying to each Partner:

any unpaid profits which are due to him;

his share of the Partnership capital;

his share of any balance in the same proportion as he was, at the date of determination, entitled to share the profits of the Partnership.

If the amount available is insufficient to discharge in full any payment to be made under the above sub-paragraphs, the payment shall be made to the Partners pro rata to the amounts that they would have received had the amount been sufficient.

The Partners shall execute, do or concur in all necessary or proper instruments, acts, matters and things for effecting or facilitating the sale, realisation and collection of the Partnership assets and the due application and division of the proceeds and for their mutual release or indemnity.



Cessation provisions

If a Partner dies or ceases to be a Partner for any other reason the provisions of Schedule 2 shall apply.

[Arbitration

Any dispute, difference or question which, either during the Partnership or afterwards, arises between the Partners or with an Outgoing Partner or Former Partner in relation to this agreement or the Partnership, the matter shall be referred to a single arbitrator, agreed upon by the parties or nominated at the request of any party by the President of [_____]. The provisions of the Arbitration Acts 1950 and 1979 shall apply to the arbitration.]

SCHEDULE 1

Supplemental provisions relating to an outgoing partner

Accounts to be prepared

Where a Partner dies or ceases to be a Partner for any other reason, a balance sheet as at the Succession Date and a profit and loss account for the period from the immediately preceding Accounting Date down to the Succession Date (together the "Termination Accounts") shall be prepared by the Accountants as soon as practicable.

Valuation of property

If so requested by the Outgoing Partner or the Continuing Partners within three months from the Succession Date, any freehold or leasehold property comprised in the Partnership property shall be valued as at the Succession Date by a valuer agreed upon by the Outgoing Partner and the Continuing Partners (or, in default of agreement, a valuer appointed by the Accountants). The expense of the valuation shall be borne as to half each by the Outgoing Partner and by the Continuing Partners.

Value of work-in-progress

In preparing the Termination Accounts the Accountants shall value all work-in-progress at the Succession Date and provide for bad or doubtful debts, in accordance with the practice of the Partnership.

Outgoing partner's undrawn profits and capital

Following the preparation of the Termination Accounts [there shall be paid to the Outgoing Partner the following sums:] [the following sums shall be paid to the Outgoing Partner by [six] [half-yearly] instalments, the first of which shall be paid on completion of the Termination Accounts:]

4.1 any undrawn balance of the Outgoing Partner's share of the profits of the Partnership as at the Succession Date as shown by the Termination Accounts but after making provision for his share of the tax on those profits;



- 4.2 the amount shown standing to the credit of the Outgoing Partner's capital account in the Termination Accounts, after adding or (as the case may be) deducting the same proportion as the amount by which the value assigned to any property in a valuation made under paragraph 2 exceeds or falls short of the value assigned to that property in the Termination Accounts as the proportion of the Partnership capital to which the Outgoing Partner was entitled immediately prior to the Succession Date.

If the Termination Accounts show a loss, the Outgoing Partner shall pay to the Partnership on completion of the Termination Accounts his share of the loss as shown in the Termination Accounts.

Payment of interest and acceleration

- 5.1 Each instalment payable under paragraph 4 shall bear interest until paid at a rate of [_____] per cent per annum, calculated from the date of completion of the Termination Accounts until actual payment.
- 5.2 If an instalment is in arrear for more than [_____] , the whole amount, or the balance of the instalment outstanding, shall immediately become payable together with interest calculated under paragraph 5.1.]

SCHEDULE 2

Supplemental provisions relating to a partner ceasing to be a member of the partnership for any reason

Debts and liabilities

The Continuing Partners shall pay and discharge, and indemnify the Outgoing Partner against, all debts and liabilities of the Partnership, and all costs, claims and liabilities arising from them, as at the Succession Date, other than:

- 1.1 a debt or liability in respect of income or other tax attributable to the Outgoing Partner's share of the profits of the Partnership; and
- 1.2 a debt or liability which arises:
- 1.2.1 in the case of a Partner retiring from the Partnership other than under the provisions of clauses 22.1.2 to 22.1.7 or 22.2, within a period of [6 months] from the Succession Date; or
- 1.2.2 in the case of a Partner expelled under the provisions of clauses 22.1.2 to 22.1.7 or 22.2, at any time after the Succession Date;

in respect of the conduct of the Partnership or out of any act or omission of a Partner or employee of the Partnership prior to the Succession Date in so far as the same was not covered by insurance (and the Continuing Partners



shall accordingly maintain professional indemnity insurance on terms as to cover not less favourable than those existing at the Succession Date) all of which shall remain the joint and several responsibility of the Outgoing Partner and the Continuing Partners.

Advertisement of dissolution

If the Outgoing Partner is living, due notice of his retirement from the Partnership shall be given in the London Gazette and as far as may be reasonably practicable by circular letter to all persons, firms and companies with whom the Partnership currently has dealings. For this purpose the Outgoing Partner and the Continuing Partners shall each sign all necessary documents and, if any of them refuses or neglects to sign, any of the others of them may sign on behalf of and in the name of the person who has refused or neglected to sign.

Tax election

The Outgoing Partner shall, on the written request of the Continuing Partners, sign a notice of election which when given, will determine whether or not the Partnership is treated as discontinued or a new business set up or commenced for the purpose of determining the amount of the profits or gains of the Partnership on which income tax is chargeable. If the Outgoing Partner satisfies the Accountants that, as a result of the notice of election, his liability to income tax has been increased, the Continuing Partners shall pay or reimburse the amount by which the liability has been shown to the satisfaction of the Accountants to have increased.

Books of account and other documents

The Outgoing Partner shall deliver to the Continuing Partners all books of account, records, letters and other documents in his possession relating to the Partnership business. During the period of 18 months following his retirement, the Outgoing Partner or his duly authorised agent shall be permitted to inspect by appointment the books of account, records, letters and other documents of the Partnership business in so far as they relate to any period ending on or before the Succession Date but he may not remove any of them from the premises of the Partnership.

Power to get in assets and further assurance

The Outgoing Partner shall sign and execute all such documents and deeds and perform all such acts and things as the Continuing Partners reasonably request for the purpose of enabling them to recover the outstanding assets of the Partnership or for the purpose of transferring to the Continuing Partners any Partnership property which, on the Succession Date, is vested in the Outgoing Partner as one of the Partners or in trust for the Partnership.

Restriction

The Outgoing Partner shall not:

6.1 during the period of [_____] years after the Succession Date, act for or



solicit, either by himself or as the partner or employee of any other person, firm or company, any client of the Partnership practice at the Succession Date [other than his relatives or family business owned or controlled by his relatives or any client for whom he acted solely in an honorary capacity]; or

- 6.2 at any time practise as a [_____], either by himself or as the partner or employee of any person, firm or company under any firm name similar to ;
or
- 6.3 during the period of [_____] years after the Succession Date and within a radius of [_____] miles from [any] Partnership premises practise as a [_____] either by himself or as the partner or employee of any person, firm or company.