

Farm Partnership Essentials

Who owns what?

- Be clear about
 - what assets belong to the business: land/kit/entitlements/intellectual property;
 - each partner's contribution to and interest in the capital of the partnership.
- Usually found in the accounts, but with new partnerships initial contributions (and the way capital profits on particular assets are to be treated) may be listed in particulars/schedules.
- Keep any Declarations of Trust involving partnership property with partnership papers.
- If land being transferred is a partnership asset, ensure that is noted on the transfer.

How can the partnership be brought to an end?

- Default position:
 - dissolution on death of a partner, assets realised under Partnership Act 1890;
 - a partner giving notice can determine the partnership.
- Decide grounds on which partnership can be brought to an end, and whether it can continue on death, bankruptcy, incapacity or retirement of a partner (and agree mechanism).

What happens when the partnership ends or someone leaves?

- Be precise about how an outgoing/deceased partners' shares (and particular assets) are to be valued on partial or general dissolution (see case of *Harvey v Drake* [2011] EWCA Civ. 838).
- Spell out the mechanism by which continuing partner(s) can buy out the share of a deceased/outgoing partner; specify notices to be served, timescales, payment periods, interest payable.

What is required of the partners?

- Be clear about duties/time-commitment - avoid "...as is from time to time requisite"?
- Cover attendance at meetings/involvement in other businesses/whether a partner can charge any part of his interest in the partnership etc.

How is the partnership to be run?

- Agree decision making/voting rights – they can be different for different matters.
- Deal with whether, how, and on what conditions, new partners (e.g. children/spouses) can be introduced.

How are 'issues' to be dealt with?

- Deal with whether there should be a right to expel, on what grounds and by what mechanism/what happens when there is mental incapacity or long-term sickness/how disputes of all or particular kinds should be resolved.
- Very important: deal with how partners can leave/on serving what notice, and how their partnership shares can be bought out/over what period/with what (if any) interest is payable on capital etc.