

COMMERCIAL PARTNERSHIP AGREEMENT: general form documenting an agreement to form a partnership

PARTNERSHIP AGREEMENT

Partnership agreement made on _____ [date], between _____ [A.B.], of _____ [address], _____ [city], _____ County, _____ [state], and _____ [C.D.], of _____ [address], _____ [city], _____ County, _____ [state] (“partners”).

RECITALS

- A. Partners desire to join together for the pursuit of common business goals.
- B. Partners have considered various forms of joint business enterprises for their business activities.
- C. Partners desire to enter into a partnership agreement as the most advantageous business form for their mutual purposes.

In consideration of the mutual promises contained in this agreement, partners agree as follows:

ARTICLE ONE

NAME, PURPOSE, AND DOMICILE

The name of the partnership shall be _____. The partnership shall be conducted for the purposes of _____. The principal place of business shall be at _____ [address], _____ [city], _____ County, _____ [state], unless relocated by majority consent of the partners.

ARTICLE TWO

DURATION OF AGREEMENT

The term of this agreement shall be for _____ years, commencing on _____ [date], and terminating on _____ [date], unless sooner terminated by mutual consent of the parties or by operation of the provisions of this agreement.

ARTICLE THREE.

CLASSIFICATION AND PERFORMANCE BY PARTNERS

- A. Partners shall be classified as active partners, advisory partners, or estate partners.

An active partner may voluntarily become an advisory partner, may be required to become one irrespective of age, and shall automatically become one after attaining the age of _____ years, and in each case shall continue as such for _____ years unless the partner sooner withdraws or dies.

If an active partner dies, the partner's estate will become an estate partner for _____ years. If an advisory partner dies within _____ years of having become an advisory partner, the partner will become an estate partner for the balance of the _____-year period.

Only active partners shall have any vote in any partnership matter.

At the time of the taking effect of this partnership agreement, all the partners shall be active partners except _____ and _____, who shall be advisory partners.

B. An active partner, after attaining the age of _____ years, or prior to that age if the _____ *[executive committee or as the case may be]* with the approval of _____ *[two-thirds or as the case may be]* of all the other active partners determines that the reason for the change in status is bad health, may become an advisory partner at the end of any calendar month on giving _____ *[number]* calendar months' prior notice in writing of the partner's intention to do so. The notice shall be deemed to be sufficient if sent by registered mail addressed to the partnership at its principal office at _____ *[address]*, _____ *[city]*, _____ County, _____ *[state]* not less than _____ *[number]* calendar months prior to the date when the change is to become effective.

C. Any active partner may at any age be required to become an advisory partner at any time if the _____ *[executive committee or as the case may be]* with the approval of _____ *[two-thirds or as the case may be]* of the other active partners shall decide that the change is for any reason in the best interests of the partnership, provided notice of the decision shall be given in writing to the partner. The notice shall be signed by the _____ *[chairman or as the case may be]* of the _____ *[executive committee or as the case may be]* or, in the event of his or her being unable to sign at the time, by another member of the _____ *[executive committee or as the case may be]*. The notice shall be served personally on the partner required to change his or her status, or mailed by registered mail to the partner's last known address. Change of the partner's status shall become effective as of the date specified in the notice.

D. Every active partner shall automatically and without further act become an advisory partner at the end of the fiscal year in which the partner's _____ birthday occurs.

E. In the event that an active partner becomes an advisory partner or dies, the partner or the partner's estate shall be entitled to the following payments at the following times: _____ *[describe]*.

Each active partner shall apply all of the partner's experience, training, and ability in discharging the partner's assigned functions in the partnership and in the performance of all work that may be necessary or advantageous to further the business interests of the partnership.

ARTICLE FOUR.

CONTRIBUTION

Each partner shall contribute \$_____ on or before _____ *[date]* to be used by the partnership to establish its capital position. Any additional contribution required of partners shall only be determined and established in accordance with Article Nineteen.

ARTICLE FIVE.

BUSINESS EXPENSES

The rent of the buildings where the partnership business shall be carried on, and the cost of repairs and alterations, all rates, taxes, payments for insurance, and other expenses in respect to the buildings used by the partnership, and the wages for all persons employed by the partnership are all to become payable on the account of the partnership. All losses incurred shall be paid out of the capital of the partnership or the profits arising from the partnership business, or, if both shall be deficient, by the partners on a pro rata basis, in proportion to their original contributions, as provided in Article Nineteen.

ARTICLE SIX.

AUTHORITY

No partner shall buy any goods or articles or enter into any contract exceeding the value of \$_____ without the prior consent in writing of the other partners. If any partner exceeds this authority, the other partners shall have the option to take the goods or accept the contract on account of the partnership or to let the goods remain the sole property of the partner who shall have obligated himself or herself.

ARTICLE SEVEN.

SEPARATE DEBTS

No partner shall enter into any bond, or become surety or cosigner, or provide security for any person, partnership, or corporation, or knowingly condone anything by which the partnership property may be attached or taken in execution, without the prior written consent of the other partners.

Each partner shall punctually pay the partner's separate debts and indemnify the other partners and the capital and property of the partnership against the partner's separate debts and all expenses relating to such separate debts.

ARTICLE EIGHT.

BOOKS AND RECORDS

Books of account shall be maintained by the partners, and proper entries made in the books of all sales, purchases, receipts, payments, transactions, and property of the partnership. The books of account and all records of the partnership shall be retained at the principal place of business as specified in Article One. Each partner shall have free access at all times to all books and records maintained relative to the partnership business.

ARTICLE NINE.

ACCOUNTING

The fiscal year of the partnership shall be from _____ *[month and day]* to _____ *[month and day]* of each year. On the _____ day of _____ *[month]*, commencing in _____ *[year]*, and on the _____ day of _____ *[month]* in each succeeding year, a general accounting shall be made and taken by the partners of all sales, purchases, receipts, payments, and transactions of the partnership during the preceding fiscal year, and of all the capital property and current liabilities of the partnership. The general accounting shall be written in the partnership account books and signed in each book by each partner immediately after it is completed. After the signature of each partner is entered, each partner shall keep one of the books and shall be bound by every account, except that if any manifest error is found in an account book by any partner and shown to the other partners within _____ months after the error shall have been noted by all of them, the error shall be rectified.

ARTICLE TEN.

DIVISION OF PROFITS AND LOSSES

Each partner shall be entitled to _____% of the net profits of the business, and all losses occurring in the course of the business shall be borne in the same proportion, unless the losses are occasioned by the willful neglect or default, and not the mere mistake or error, of any of the partners, in which case the loss so incurred shall be made good by the partner through whose neglect or default the losses shall arise. Distribution of profits shall be made on the _____ day of _____ *[month]* each year.

ARTICLE ELEVEN.

ADVANCE DRAWS

Each partner shall be at liberty to draw out of the business in anticipation of the expected profits any sums that may be mutually agreed on, and the sums are to be drawn only after there has been entered in the books of the partnership the terms of agreement, giving the date, the amount to be drawn by the respective partners, the time at which the sums shall be drawn, and any other conditions or matters mutually agreed on. The signatures of each partner shall be affixed on the books of the partnership. The total sum of the advanced draw for each partner shall be deducted from the sum that partner is entitled to under the distribution of profits as provided for in Article Ten.

ARTICLE TWELVE.

SALARY

No partner shall receive any salary from the partnership, and the only compensation to be paid shall be as provided in Articles Ten and Eleven.

ARTICLE THIRTEEN.

RETIREMENT

In the event any partner shall desire to retire from the partnership, the partner shall give _____ months' notice in writing to the other partners. The continuing partners shall pay to the retiring partner at the termination of the _____ months' notice the value of the interest of the retiring partner in the partnership. The value shall be determined by a closing of the books and a rendition of the appropriate profit and loss, trial balance, and balance sheet statements. All disputes arising from such determination shall be resolved as provided in Article Twenty.

ARTICLE FOURTEEN.

RIGHTS OF CONTINUING PARTNERS

On the retirement of any partner, the continuing partners shall be at liberty, if they so desire, to retain all trade names designating the firm name used. Each of the partners shall sign and execute any assignments, instruments, or papers that shall be reasonably required for effectuating an amicable retirement.

ARTICLE FIFTEEN.

DEATH OF PARTNER

In the event of the death of one partner, the legal representative of the deceased partner shall remain as a partner in the firm, except that the exercise of this right on the part of the representative of the deceased partner shall not continue for a period in excess of _____ months, even though under the terms of this agreement a greater period of

time is provided before the termination of this agreement. The original rights of the partners shall accrue to their heirs, executors, or assigns.

ARTICLE SIXTEEN.

EMPLOYEE MANAGEMENT

No partner shall hire or dismiss any person in the employment of the partnership without the consent of the other partners, except in cases of gross misconduct by the employee.

ARTICLE SEVENTEEN.

RELEASE OF DEBTS

No partner shall compound, release, or discharge any debt that shall be due or owing to the partnership, without receiving the full amount of the debt, unless that partner obtains the prior written consent of the other partners to the discharge of the indebtedness.

ARTICLE EIGHTEEN.

COVENANT AGAINST REVEALING TRADE SECRETS

No partner shall, during the continuance of the partnership or for _____ years after its termination by any means, divulge to any person not a member of the firm any trade secret or special information employed in or conducive to the partnership business and which may come to the partner's knowledge in the course of this partnership, without the consent in writing of the other partners, or of the other partners' heirs, administrators, or assigns.

ARTICLE NINETEEN.

ADDITIONAL CONTRIBUTIONS

The partners shall not have to contribute any additional capital to the partnership to that required under Article, except as follows: (1) each partner shall be required to contribute a proportionate share in additional contributions if the fiscal year closes with an insufficiency in the capital account or profits of the partnership to meet current expenses; or (2) the capital account falls below \$_____ for a period of _____ months.

ARTICLE TWENTY.

ARBITRATION

If any differences shall arise between or among the partners as to their rights or liabilities under this agreement, or under any instrument made in furtherance of the partnership business, the difference shall be determined and the instrument shall be settled by _____ *[name of arbitrator]*, acting as arbitrator, and the decision shall be final as to the contents and interpretations of the instrument and as to the proper mode of carrying the provision into effect.

ARTICLE TWENTY-ONE.

ADDITIONS, ALTERATIONS, OR MODIFICATIONS

Where it shall appear to the partners that this agreement, or any terms and conditions contained in this agreement, are in any way ineffective or deficient, or not expressed as originally intended, and any alteration or addition shall be deemed necessary, the partners will enter into, execute, and perform all further deeds and instruments as their counsel shall advise. Any addition, alteration, or modification shall be in writing, and no oral agreement shall be effective.

The parties have executed this agreement at _____ *[designate place of execution]* the day and year first above written.

[Signatures]