

**Information & Instructions: Family limited partnership agreement**

**PREVIEW**

1. This limited partnership agreement is designed to provide protection to the family members while still giving management control to the general partner.

**Form: Family limited partnership agreement**

**AGREEMENT OF LIMITED PARTNERSHIP  
OF [NAME]**

**FAMILY LIMITED PARTNERSHIP**

This agreement is made and entered into by and between [NAME OF GENERAL PARTNER], a resident of [COUNTY] County, Texas, (hereinafter referred to as "general partner"), who shall also be the registered agent for service of process, and whose business address and registered office is [ADDRESS], a Texas corporation, as General Partner and those parties whose names are set forth in Exhibit 1 hereto, as initial Limited Partners.

In consideration of the mutual terms, covenants and considerations herein contained, the parties hereto agree to form a limited partnership under the Texas Revised Limited Partnership Act and agree to the following terms and conditions:

**1. NAME AND PARTNERSHIP ADDRESS**

1.1 Name.

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The limited partnership's name is: [Name] and all business of the limited partnership shall be conducted in such name.

1.2 Principal Place of Business.

a. The limited partnership's principal office and place of business shall be at [Address] or such other location as the general partner may select.

b. The general partner shall promptly notify the limited partners of any change in location.

**THANK YOU**

**2. PURPOSE AND POWERS**

2.1 Purpose.

a. The limited partnership's purpose is to hold and manage property for the family members who are a party to this agreement.

b. The family members desire to provide for the health, education, maintenance and welfare of each other and their children.

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2.2 Powers of the limited partnership.

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a. The limited partnership and its general partner(s) shall have any and all powers allowed by law to transact its business.

## 3. TERM

3.1 Term.

a. The limited partnership shall become effective upon the date that the Certificate of Limited Partnership is filed as required by law.

The limited partnership shall continue until the close of business on [Date partnership to terminate i. e. 20 years], or upon the happening of any one of the following events:

(i) By written agreement of the partners then owning, in the aggregate, at least seventy-five percent (75%) of the percentages of ownership in the partnership;

(ii) Upon the death, withdrawal or removal of the general partner or the transfer by the general partner of his entire interest in the partnership;

(iii) In the event of the disability of the general partner lasting for six months or more, upon the end of the six month of such disability (disability for the purpose of this Agreement shall mean physical or mental incapacity of the general partner resulting in the inability to perform the normal duties required of the general partner);

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(iv) Upon the partnership becoming insolvent or bankrupt;

(v) Upon the general partner becoming insolvent or bankrupt;

(vi) Upon the sale of all partnership Property and the disbursement of all sales proceeds, including the receipts of all funds to liquidate all evidences of indebtedness, derived therefrom; or

(vii) Any other act that occurs which, by law, would require that the partnership be terminated.

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c. The partnership shall not be dissolved because any of the limited partners: become involved in litigation, are divorced, die, file bankruptcy or become legally disabled.

d. If one of the general partners withdraws, is dismissed or becomes disqualified to serve as a general partner, then the remaining general partner(s), if any, may elect to continue this partnership as either co-general partners or sole general partner.

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e. If no general partner survive, then a majority of the limited partners may reconstitute the partnership and elect a successor general partner which election(s) shall be exercised by written notice to or confirmation from each limited partner within ninety (90) days following the occurrence of any of the events above.

f. No general partner shall have the right to retire or withdraw from the partnership without the written consent, which consent shall not be unreasonably withheld, of seventy-five percent (75%) of the Percentage of ownership then held by all the limited partners.

g. In the event the general partner withdraws from the partnership, with or without the consent of seventy-five percent (75%) of the Percentage of ownership then held by all the limited partners, his interest shall be converted into that of a limited partner, subject to this Agreement in the same way as all other limited partner interests.

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#### 4. GENERAL PARTNER

##### 4.1 Management of the limited partnership.

a. The general partner shall manage the business and affairs of the limited partnership. The limited partners shall not be involved in the day to day business or other decisions.

b. The general partner shall have the sole right to decide when and how much, if any, money shall be distributed to the limited partners.

c. The general partner shall have the sole right to decide what properties shall be sold and what properties shall be kept. No limited partner has the right to force a liquidation of the partnership or a sale or liquidation of any of the limited partnership's assets.

d. The general partner shall be entitled to receive reasonable compensation for his efforts on behalf of the partnership. He or she may decline to take such compensation in his or her sole discretion.

e. The limited partners shall have the right to dismiss the general partner upon written agreement of those limited partners owning ninety-five (95%) of percentage of ownership then held by all the limited partners.

##### 4.2 Withdrawal, Death, Disability, Dissolution, Bankruptcy or Removal of the general partner.

a. In the event of the withdrawal, dissolution, death, legal disability, bankruptcy or removal of a general partner, upon the written approval of the majority of Percentages of Ownership then held by all of the limited partners, a successor general partner shall be elected and appointed to serve in said capacity.

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b. The successor general partner shall have the same duties, responsibilities and obligations as the original general partner.

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#### 4.3 Indemnification and Reimbursement of the general partner.

a. The general partner may charge to the partnership and pay out of partnership funds any all costs or expenses that he or she believes are reasonably related to the partnership's business or expenses including reimbursement for all expenses which the general partner may incur in the course of his or her duties for the partnership.

b. The general partner shall be and is hereby indemnified and held harmless by the partnership from and against any and all claims, demands, liabilities, costs, damages, suits, proceedings, actions, administrative or investigative, of any nature whatsoever, in which the general partner may become involved in the course of serving the partnership as its general partner.

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#### 4.4 Non-exclusive Activity.

a. The general partner shall be free to enter into any other activities which he or she may choose to do so as long as those activities are not harmful to the limited partnership's interests or conflict of interest.

### 5. LIMITED PARTNERS

#### 5.1 Rights and Obligations of the limited partners.

a. Except for those partnership debts which a partner may choose to voluntarily guarantee, assume or be a co-maker of, the limited partners shall not be personally liable for any of the debts of the partnership or for any of the losses thereof beyond the amounts of their respective Capital Accounts in the partnership.

b. The limited partners shall not have the power to sign for or to bind the partnership. The limited partners shall not be paid any salary, have a drawing account or be entitled to the return of their capital contributions, except as determined by the general partner in accordance with the provisions hereof.

#### 5.2 Assignment.

a. A limited partner may not sell or assign his or her interest in the partnership unless he first obtains the written approval of the general partner and all other limited partners.

b. The general and limited partners have the first right of refusal to purchase the interest of any partner to this agreement. The purchase amount shall be the amount of money that the selling partner contributed to the partnership's capital account.

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c. All costs and expenses to the partnership resulting from such sale or assignment must be paid by the selling limited partner.

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### 5.3 Substituted limited partner.

a. No Assignee or transferee of the whole or any portion of a limited partner's interest in this limited partnership shall have the right to become a substituted limited partner in place of his or her assignor unless all of the general and limited partners agree to the substitution.

b. Upon the death or legal incompetency of an individual limited partner, his Personal Representative shall have all of the rights of allowed by law for the sole purpose of settling or managing his or her estate.

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The both the limited partner and general partner have the right to purchase the decedent's partnership share in accordance with this agreement at whatever price the general partner shall request. Said price shall be a number that benefits the limited partnership and does not cause any income tax consequences to the limited partnership.

d. No limited partner or other person who has become the holder of any interest in this limited partnership shall transfer, assign or encumber all or any portion of his or her interests in the limited partnership during any fiscal year if such transfer, assignment or encumbrance would (in the sole and unreviewable opinion of the general partner) result in the termination of the partnership for purposes of the then applicable provisions of the Internal Revenue Code of 1986, as amended.

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e. Any assignee to any limited partnership interests herein may not vote on any issue unless all of the limited partners and general partner agree.

f. Any assignee to any limited partnership interests herein shall remain liable to the partnership for any of the assignor's promised contributions or excessive distributions.

### 5.4 Bankruptcy.

a. In the event of a filing of a petition in bankruptcy by or on behalf of a limited partner, the appointment of a receiver to handle his or her affairs, or the execution of an assignment for the benefit of his or her creditors, the partners shall have the option on a pro rata basis to purchase such limited partner's interest as stated above.

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### 5.5 Transfers by Spouses.

a. The respective spouses of the partners join in the execution of this Agreement to evidence that any interest such spouse may have in this Agreement and in the partnership shall be subject to the terms and provisions of this Agreement in all respects as if the partners were the sole owners of the partnership, and as if each spouse was a partner hereunder with respect to such interest.

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b. Any option to purchase the Percentage of Ownership of a partner pursuant to this Agreement shall include any interest therein owned by the spouse of such partner.

c. In the event of the death or divorce of a spouse of a partner or transfer by operation of law by divorce decree or otherwise of any interest in the Percentage of Ownership, then such partner shall have the option to purchase his or her spouse's interest in the Percentage of Ownership to which he does not succeed for the amount that the partner originally contributed to the partnership.

## 6. CAPITAL CONTRIBUTIONS

6.1 Initial Capital Contributions.

The partners shall make the capital contributions as stated in "Exhibit A" hereto. The partner's percentage of ownership is also stated in "Exhibit A" hereto.

6.2 Additional Capital Contributions.

a. No additional capital contributions shall be required of the partners unless all of the partners agree to such contribution in writing.

6.3 Return of Capital Contributions.

a. Each partner irrevocably waives any rights that he or she may have to a return of his or her capital contributions, except as provided in this agreement.

6.4 Capital Contributions-Miscellaneous Provisions.

a. No partner is entitled to interest on his or her capital contributions.

b. All property owned by the partnership is deemed for all purposes to be owned by the partnership and not the individual partners.

c. Each partner shall share in the partnership's profits and losses according to his or her percentage share of capital.

## 7. ACCOUNTING

7.1 Method of Accounting.

a. The partnership shall keep accounts on the cash basis. The accounts shall readily disclose all items which the partners are requested to include separately for income tax purposes.

7.2 Accounting Year

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a. The fiscal year of the partnership shall commence on January 1st of each year and end on December 31st of each year.

**PREVIEW**

### 7.3 Books and Records.

a. The general partner shall keep or cause to be kept, true, and correct and complete separate books and records pertaining to the partnership's business showing all of its assets and liabilities, receipts and disbursements realized, profits and losses, the partner's capital accounts and all transactions entered into by the partnership.

b. The books, records and files of the partnership required by the Act shall be kept at the partnership's principal office and all partners and/or their duly authorized representatives shall, at all reasonable times, have access thereto for the purposes of inspecting or copying same.

### 7.4 Statements and Tax Returns.

a. The general partner shall cause to be prepared and furnished to each of the partners by March 1 after the close of each calendar year an unaudited statement, showing the operation of the partnership for such year, the balance of each partner's capital account, the unpaid balance due under all obligations of the partnership and all other information reasonably requested by a partner.

b. No election shall be made by the partnership, or by any partner to be excluded from the application and the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1986, as amended.

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## 8. SALE OF A PARTNER'S INTEREST

8.01 No partner may sell, assign, pledge or in any way encumber, by any means, his or her share in the partnership unless he or she obtains the consent of all the other partners and the general partner in this partnership.

8.02 Any sale of a partnership interest if agreed to as described above shall be as follows:

a. The sale of all interests is restricted to the current limited partners. If the current limited partners do not desire to purchase the interest then the partnership shall purchase it.

## 9. TERMINATION OF A PARTNERSHIP

9.1 In the event the partnership is terminated by the expiration of its term or upon the occurrence of any of the events specified in paragraph 3 above, the general partner shall, unless the partnership is reconstituted proceed to wind up and terminate the partnership's affairs.

a. He or she shall have full power and authority to do all acts necessary in accordance with the terms hereof and shall, for the purposes of distribution and of this Agreement, be referred to as the Liquidating partner.

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9.2 Accounting Upon Dissolution

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a. Upon a dissolution or termination, an accounting shall be made of the books of the limited partnership.

9.3 Winding Up and Liquidation.

a. Upon dissolution of the partnership, its business and affairs shall be wound up and liquidated as rapidly as business circumstances will permit, unless the partnership has been reconstituted.

b. If the partnership is reconstituted, it shall not be wound up. To the extent feasible, all assets of the partnership will be sold or otherwise reduced to cash. Upon liquidation, the funds and assets of the partnership shall be distributed to the creditors of the partnership and to the partners in the order and manner as set forth in Section 8.05 of the Texas Revised limited partnership Act.

c. After such distributions are made, this Agreement shall terminate and none of the parties shall have any further rights or obligations hereunder.

d. The general partner shall file a Certificate of Cancellation in accordance with the Act. Prior to final distribution, all the terms and provisions of this Agreement shall be binding upon each of the parties hereto.

9.4 Selection of Substitute Liquidating Trustee.

**THIS DOCUMENT**

a. In the event the partnership is terminated by the death, dissolution, retirement an/or insolvency of the general partners, or an attempt by the general partners to transfer their interest in the partnership, the limited partners owning a majority in interest of the partnership shall select one of their members, or any person, firm or corporation, to act as Liquidating Trustee in the liquidation of the partnership assets with all of the rights, duties and obligations herein granted or imposed.

**10. INVESTMENT REPRESENTATIONS**

10.01 No Registration.

**THANK YOU**

a. Each partner, by the execution of this Agreement (or any counterpart thereof), acknowledges that he or she is acquiring his or her partnership interest for the purposes stated above and not for a view to, or for, resale or distribution.

b. He or she understands that the offering of the partnership Interest has not been registered under The Securities Act of 1933 or qualified under The Texas Securities Act.

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c. He or she understands that the nature and financial risk of the investment represented by the partnership interests and that the partnership interests are being sold only in the State of Texas to bona fide residents of Texas pursuant to the exemption contained in Section 3(a)(11) of the Securities Act of 1933.

## 11. GENERAL AND ADMINISTRATIVE

### 11.1 Notices, reports and Statements.

a. All notices, reports and statements hereunder shall be mailed to the limited partner's address which is stated in "Exhibit A" hereto.

### 11.2 Applicable to Successors

a. This Agreement and each provision herein (including the provisions relating to purchase rights) shall be binding upon and applicable to, and shall inure to the benefit of, the parties hereto and their respective heirs, legatees, devisees, successors, assigns, and legal representatives, except as otherwise expressly provided herein.

### 11.3 Counterparts.

a. This Agreement may be signed in any number of counterparts, each of which shall be an original for all purposes, but all of which taken together shall constitute only one agreement. The production of any executed counterpart of this Agreement shall be sufficient for all purposes without producing or accounting for the other counterparts hereof.

### 12.4 Governing Law.

a. Any matter which may arise hereunder which is not herein specifically provided for shall be determined in accordance with and governed by the Laws of the State of Texas.

Signed on \_\_\_\_\_.

General Partner

**THANK YOU**  
[NAME]

ADDRESS

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# PREVIEW

Federal I. D. # \_\_\_\_\_

**Limited Partner**

\_\_\_\_\_  
[NAME]

ADDRESS

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**Limited Partner's    Initial Cash Capital Contribution    Partnership % Interest**

\_\_\_\_\_  
[NAME]

ADDRESS

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# **PREVIEW**

EXHIBIT 1

Limited Partner's Name

Limited Partner's Address

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