

Information & Instructions: Buy-sell agreements

PREVIEW

1. Buy-sell agreements are entered into to prevent future disputes among business owners regarding the sales of their interests in the business.
2. By establishing an allocation of price and terms of payment, a buy-sell agreement can prevent a dispute in these areas from arising upon the death, divorce, or withdrawal of a business owner.
3. The following form may be used in a partnership and provides the funding needed to acquire the interest of a deceased partner through life insurance policies issued on the lives of the business owners.
4. The form sets forth a method to determine the purchase price, the method of its payment and the terms of the buy-sell agreement.

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Form: Buy-Sell Agreement Between Partners

BUY-SELL AGREEMENT BETWEEN PARTNERS

This agreement is made on _____, between the Partners, and the respective spouses of each Partner.

The partners are now engaged as general partners in the business of [Partners Engaged in Business of..] operating under the name of [Client Name]; and

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Each Partner owns the following percent in the partnership:

| Partner Name | Initial Capital Contribution | Partner Share of Ownership |
|--------------|------------------------------|----------------------------|
| [Partner] | \$ _____ | _____ % |

and

The partners desire to arrange for the sale to the surviving Partner of the partnership interest of the Partner first to die at a price fairly established; and

THANK YOU

The partners intend by this arrangement to avoid a liquidation of the partnership business upon the death of a Partner, and to obtain for their respective estates the maximum value of their partnership interests; and

The partners have arranged to provide the funds needed to acquire the interest of a deceased Partner through life insurance policies on their respective lives;

It is therefore agreed **LegalFormsForTexas.Com**

1. Insurance. Each Partner shall take out insurance on the life of the other Partner for \$ _____, naming the surviving partner as beneficiary. All policies shall be listed in "Schedule A" attached to this agreement. Either Partner shall have the right to take out additional insurance on the life of the other Partner, whenever in the opinion of such Partner additional insurance may be reasonably required to carry out the partner's obligation under this agreement. Each Partner shall pay all premiums due on the policies taken out by that partner on the life of the other Partner, and shall deposit proof of payment with the other Partner within _____ days after the due date of each premium.

2. Right of ownership in policies. Each Partner shall be the sole owner of the policies taken out by that partner, but shall have no right, during the term of this agreement, to modify or impair any of the rights or values under such policies.

3. **PLEASE DO NOT COPY** If the restrictions. Neither Partner shall sell, assign, transfer, give away, grant a security interest in, encumber, pledge, or in any way dispose of that partner's partnership interest, or any part thereof, during that partner's lifetime, without the prior written consent of the other Partner.

4. Purchase of partnership interest on death. Upon the death of either Partner, the surviving Partner shall purchase the entire interest of the deceased Partner in the partnership, and the estate of the decedent shall sell such interest to the surviving Partner.

5. Purchase price. The purchase price of the interest of a deceased Partner shall be an amount equal to the sum of the following items: a. The capital account of the decedent as disclosed by the books of the partnership as at the end of the last fiscal year before that partner's death; b. plus the decedent's share of partnership profits, or less the decedent's share of partnership losses, computed from the beginning of the fiscal year in which death occurred to the last day of the month in which such death occurred, adjusted for all contributions and withdrawals by the decedent during such period; c. plus an amount equal to _____ % percent of the average net income of the partnership for the last _____ complete fiscal years prior to the year in which such death occurs, this amount to represent the decedent's share of the partnership goodwill. For the purpose of the foregoing computation, the books of the partnership shall be accepted as correct, and all computations shall be made and certified by the accounting firm servicing the partnership at the date of death, and when so certified shall be binding and conclusive.

6. Payment of purchase price. The purchase price for the interest of a deceased Partner shall be paid to the estate of the decedent, within _____ days after the qualification of the legal representative, as follows: \$ _____ in cash, or the entire purchase price in cash if the price is less than \$ _____. In the event that the purchase price is in excess of \$ _____, the surviving Partner shall give the estate a negotiable promissory note for the balance or pay such balance in cash. Such note shall bear interest at the rate of _____ % percent per annum, and shall be payable for _____ months after the date of the initial payment; the surviving Partner shall have the right to prepay such note at any time without penalty. Upon the death of a Partner, the proceeds of the insurance policies on that partner's life shall be used by the surviving Partner in payment, in whole or in part, of the purchase price of the decedent's interest in the partnership. **THANK YOU** **LegalFormsForTexas.Com**

purchase price, such excess shall be retained by the surviving Partner, and the estate of the deceased Partner shall have no claim to it.

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7. Transfer of partnership interest. Upon the payment of the purchase price to the estate of a deceased Partner, in cash or in cash plus notes, the estate shall execute and deliver to the surviving Partner all documents reasonably required to evidence such purchase; and all rights of the estate in the partnership, and in its business and assets, shall thereafter belong to the surviving Partner. Simultaneously the surviving Partner shall deliver to the estate of the deceased Partner an agreement indemnifying the estate against any liabilities of the partnership. The surviving Partner shall not be liable to the estate of the deceased Partner for any estate, inheritance, or succession taxes of such estate, whether by reason of the insurance proceeds or otherwise.

8. Purchase of insurance policies by survivor. Upon the death of a Partner, the surviving Partner shall have the right to purchase from the estate of the deceased Partner the insurance policies covering the life of the surviving Partner. The purchase price shall equal the cash surrender value of the policies at the date of death plus the unearned portion of any premiums as of the date of death. This right may be exercised at any time within _____ days after the qualification of the legal representative of the estate of the deceased Partner by the payment of the purchase price; the legal representative shall deliver the insurance policies to the surviving Partner and simultaneously the legal representative of the decedent's estate shall execute and deliver to the surviving Partner appropriate documents effecting a transfer of such policies. A surviving Partner who does not exercise this right shall have no further rights therein.

9. Amendment. This agreement constitutes the entire agreement and understanding among the parties concerning purchase in the event of death of one or more of the partners, and it shall not be amended, changed or extended, except by written instruments signed by all of the parties to this agreement. Furthermore, this agreement is being delivered and is intended to be performed in the State of Texas, and shall be construed and enforced in accordance with the laws of Texas.

10. Death of all partners. If all Partners die within a period of _____ days, the proceeds of all insurance policies shall be collected by the representatives of the respective estates and distributed to the estates of the respective owners of the policies, and all other provisions of this agreement shall be inoperative. The partnership shall be liquidated as required by law and the proceeds of liquidation distributed between the estates of the Partners, without giving any consideration to the terms of this agreement.

11. Term. This agreement shall terminate upon the occurrence of any of the following events:

a. The death of either Partner, but such death shall not relieve the estate of the deceased Partner from fulfilling all the terms of this agreement.

b. The termination of the partnership for any cause.

c. The bankruptcy of either Partner.

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In the event of the termination of this agreement during the lives of both Partners, each Partner may purchase the policies of life insurance from the other Partner upon the same terms as provided in paragraph 8 for purchase in the event of death, except that the purchase price shall be paid within _____ days after such termination, and except that the respective parties shall execute and deliver such papers as may be necessary to transfer ownership of the policies to the insured. Any such policy not so purchased shall be surrendered to the issuing company, and the cash surrender value shall be paid to the owner of the policy.

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12. Benefit. This agreement shall bind the parties, and their respective heirs, executors, administrators, and assigns, but nothing in this agreement shall be construed as an authorization or right of either party to assign rights or obligations hereunder. Each Partner and spouse in furtherance of this agreement shall execute a will directing that partner's executor to perform this agreement and to execute all documents necessary to effectuate the purpose of this agreement, but the failure to execute such will shall not affect the rights of either Partner or the obligations of any estate as provided in this agreement.

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Signed on _____.

[Partner]

[Partner's Spouse]

~~**THIS DOCUMENT**~~

State of Texas
County of _____

This instrument was acknowledged before me on _____ by _____.

Signature of officer

Notary's typed or printed name

THANK YOU

My commission expires: _____

[or Notary's Stamp]

State of Texas
County of _____

This instrument was acknowledged before me on _____ by _____.

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Signature of officer

Notary's typed or printed name

My commission expires:

[or Notary's Stamp]

EXHIBIT A

Required Minimum Amount of Life Insurance per Agreement:

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Insurance Policies on the Life of Each Partner

Partner: [Partner]

| Policy Name | Number | Amount | Purchased by | Purchase Date |
|---------------|-----------------|--------|-----------------------|---------------|
| [Policy Name] | [Policy Number] | _____ | [Purchaser of Policy] | _____ |

THIS DOCUMENT

THANK YOU

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