

PREVIEW

1. A Partnership agreement sets forth in writing the rights and obligations of the co-owners of a partnership.

2. The Texas Uniform Partnership Act [RS Art 6132(b) § 6, 6A] defines a partnership as an association of two or more persons to carry on as co-owners of a business for profit. Pursuant to various sections of this statute, every partner is jointly and severally liable for the obligations of the partnership as well as for the wrongful acts of partners in the course of partnership business. There is, of course, no centralized management and no entrance of new partners without the consent of all the partners. Dissolution occurs in a general partnership at the end of a fixed term, or, in the absence of an agreement to the contrary, upon the death, bankruptcy, withdrawal or expulsion of a partner.

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3. This is a general partnership agreement for most general business purposes with the agreement being subject to arbitration.

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Checklist Matters to be considered when drafting a general partnership agreement

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1. Full name and address of each partner,
2. Marital status of each partner,
3. Partnership's name,
4. Purpose or business of partnership,
5. Partnership's duration,
 - a. Date the partnership will commence.
 - b. Statement of whether partnership is to continue for specified period or until dissolved by agreement or other act of the partners.
6. Place of business, including principal place of business, and, if appropriate, other places of operation,
7. Capital contributions,
 - a. Amount required for the partnership to commence business,
 - b. Amount and type of capital to be contributed by each partner,
 - c. Description of any property other than money that is to be contributed by each partner,
 - d. Manner in which property other than money is to be valued,
 - e. Time when contributions are to be made,
 - f. Arrangement for partners to loan cash or property to the partnership.
8. Right to make withdrawals from capital,
9. Partner's right in a specific partnership asset or property, including the right to transfer his or her interest to a third person,
10. Acquisition and valuation of assets, including good will,
11. Transfer of license and insurance policies, etc.,
12. Assumption of debt and liabilities when an existing business is taken over by the partnership,

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11. Manner of taking title to partnership assets,
12. Ownership of intellectual property including inventions and patents,
13. Manner in which profits and losses are to be divided or shared,
14. Indemnity and contribution between partners,
15. Minimum amount of time that each partner must devote to the partnership, including reasonable restrictions against engaging in outside business activities,
16. Description of duties and services to be rendered by each partner,
17. Requirement for bonding the partners,
18. Salaries, drawing accounts, and partner's expenses, including provisions as to vacations and leaves of absence,
19. How management is to be shared, whether by a managing partner, managing committee or majority or other vote of partners,
20. Elements of management and control, including responsibility for and authority to sign checks, make purchases, pay expenses, execute conveyances and leases, obtain insurance, and hire and discharge employees,
21. Maintenance of funds, including designation of depository and establishment of reserve funds,
22. Accounting, including inventory, establishment of the fiscal year, designation of accounting basis, keeping and inspection of books, and periodical audits,
23. Restrictions on the powers of the individual partners, including the assumption of suretyship or similar obligations, including but not limited to lending and borrowing money, making purchases, conducting transactions with third persons, and compounding and discharging debts,
24. Settlement of disputes by arbitration, majority vote of partners, or other method,
25. Method of giving notice to partners,
26. Admission of new partners, including whether consent of the other partners must be obtained,
27. Provisions for withdrawal or retirement of partners

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28. Provision for continued use of the partnership name on death or retirement of a partner or on sale of the business,

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29. Restrictions on activities of a partner after withdrawal or retirement, including use of tradenames and trade secrets and engagement in competitive activities,

30. Manner of liquidating a retired partner's partnership interest,

31. Manner in which partnership clients are to be distributed on withdrawal or retirement of a partner,

32. Notice that must be given by a partner of his or her intention to withdraw from the partnership,

33. Grounds for and method of removal or expulsion of a partner, as well as the termination of his or her interest and continuation or dissolution of the firm,

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34. Effect of death of a partner and whether there should be a continuation or dissolution of the firm, or an incorporation,

35. Effect of illness, incompetency, insanity, or other disability of a partner, including insurance to be acquired for such occurrence and how premiums to be paid,

36. Purchase or other disposition and valuation of a partner's interest, including good will, on his or her withdrawal, retirement, removal, expulsion, or death,

37. Voluntary dissolution, including method for dissolution and provision for distribution of assets,

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38. Liquidation proceedings on dissolution,

39. Amendment of the partnership agreement, and

40. Signatures and, if desired, notarization.

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PARTNERSHIP AGREEMENT

NOTICE:

**THIS AGREEMENT, IS SUBJECT TO ARBITRATION
IN ACCORDANCE WITH TEXAS LAW.**

This agreement is made on _____ by and between [Name and [Name].

1. PARTNERSHIP'S NAME

1.1 The partnership's name shall be _____

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2 PLACE OF BUSINESS

2.1 The partnership's principal place of business shall be in the City of _____, County of _____, State of Texas, and such other place or places as may be agreed on by the partners.

3. DURATION

3.1 The partnership shall commence on _____, and shall continue until _____ or until dissolved pursuant to this agreement.

4. CAPITAL CONTRIBUTIONS

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4.1 The initial capital of the partnership shall consist of the sum of Dollars (\$_____).

4.2 The initial contribution of each partner shall be as follows:

(a) _____ [Name]: _____ [contribution if cash, state the amount; if property is other than cash, give a description and state the fair market value];

(b) _____ [Name]: _____ [contribution if cash, state the amount; if property is other than cash, give a description and state the fair market value];

(c) _____ [Name]: _____ [contribution if cash, state the amount; if property is other than cash, give a description and state the fair market value];

(d) Subsequent Capital Contributions.

4.3 Subsequent capital contributions which may be needed by the partnership, shall be made by each partner in proportion to his or her respective distributive share.

4.4 In the event any partner fails to make such subsequent capital contribution, the partners who have contributed their shares may consider the sums so advanced as loans to the partnership.

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_____ [hours per year]

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6.3 Each partner, for his or her time devoted to the business of the partnership, shall receive, in addition to a share in any profits, the following salary:

Name	Salary
_____	_____
_____	_____
_____	_____

6.4 Each partner shall be entitled to _____ days of vacation and _____ days of leave of absence for illness or disability per year commencing from _____ with no impairment of any right to share in the profits or of any other rights under this agreement.

6.5 The parties covenant that they presently are not obligated under any bond, suretyship or security agreement, bail contract, or as co-signer for any individual, partnership, or corporation, and agree that they shall not become so obligated during the existence of the partnership without the written consent of all the partners.

6.6 Furthermore the parties shall not knowingly cause or allow to be done anything whereby partnership property may be attached or taken in execution.

7. MANAGEMENT OF BUSINESS

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7.1 Except as otherwise provided in this agreement, all partners shall have equal rights in the management and conduct of the partnership.

7.2 Decisions shall be by majority vote (each partner having one vote) unless otherwise provided herein.

7.3 During the continuance of the partnership, no partner shall, without the consent of all the partners, do any of the following:

(a) Assign the partnership property in trust for his or her creditors or on the assignee's promise to pay the debts of the partnership;

(b) Dispose of the good will of the business;

(c) Submit a partnership claim or liability to arbitration or reference;

(d) Confess a judgment against the partnership;

(e) Do any act that would in the event be impossible to carry on the ordinary business of the partnership;

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(f) Make, execute, and deliver in the name of the partnership any bond, trust deed, mortgage, indemnity bond, guarantee, surety bond, or accommodation paper or accommodation endorsement;

(g) Borrow money in the name of the partnership or use as collateral any partnership property;

(h) Assign, pledge, transfer, release, or compromise any debt owing to, or claim of, the partnership except for full payment;

(i) Convey any real property of the partnership;

(j) Pledge or transfer in any manner except to another partner his or her individual interest in the partnership; or

(k) Undertake or complete any act for which unanimity is required under any other provision of this agreement.

(l) Contracts.

For purposes of the partnership business, but subject to any limitations and restrictions imposed by this agreement, each partner shall have equal power and authority in using the partnership name and in binding the partnership, in making contracts and purchasing goods, and in otherwise trading, buying, selling, and managing on behalf of the partnership.

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(m) Employment and Dismissal of Personnel.

No partner shall hire any person for employment by the partnership or dismiss, except in case of gross misconduct, any person in the employment of the partnership without the consent of all the partners.

(n) Indemnity by Partnership.

The partnership will indemnify each partner in respect of payments made and personal liabilities reasonably incurred by each partner in the ordinary and proper conduct of the partnership business or for the preservation of its business or property.

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(o) Bank Deposits and Accounts.

All partnership funds shall be deposited in the name of the partnership in accounts in the [name of bank] at [address].

All checks, drafts, or other written payments drawn on such partnership accounts must be signed by two partners.

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8. PROFITS AND LOSSES

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8.1 The partners shall be entitled to the net profits arising from the operation of the partnership business that remain after the payment of the expenses of conducting the business of the partnership.

8.2 Each partner shall be entitled to the distributive share of the profits specified below:

Name	Percentage
_____	_____
_____	_____

8.3 The distributive share of the profits shall be determined and paid to the partners on the _____ day of _____ of each year.

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8.4 All losses that occur in the operation of the partnership business shall be paid out of the capital of the partnership and the profits of the business, or, if such sources are deficient in funds to cover such losses, by the partners in the following shares:

Name	Percentage
_____	_____
_____	_____

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9. ACCOUNTING MATTERS

9.1 Books of account shall be kept by the partners, and proper entries made therein of all the sales, purchases, receipts, payments, engagements, transactions, and property of the partnership.

(a) Method of Accounting.

All accounts of the partnership shall be kept on the accrual basis. All matters of accounting for which there is no provision in this agreement are to be governed by generally accepted methods of accounting.

(b) Place Where Books and Records ~~Are~~ Be Kept.

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The partnership books of account, and all securities, papers, and writings of the partnership shall be kept at the principal place of business at [address], or in such other place where the business of the partnership shall be carried on.

Each partner shall have free access at all times to such information in order to examine and copy the partnership books.

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(c) Capital Accounts

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A capital account shall be maintained on the partnership books on behalf of each partner. Such account shall be credited with that partner's contributions to the capital of the partnership and shall be debited and credited in the manner prescribed in Section 11.

(d) Income Accounts.

An income account shall be maintained on the partnership books on behalf of each partner. Such account shall be closed to the capital account of the partner at the conclusion of each fiscal year.

As soon as practicable after the conclusion of each fiscal year, and at such other times as the partners may decide, the income account of each partner shall be credited with that partner's distributive share of profits and debited with his or her share of the losses.

Any losses to be debited to a partner's income account that exceed the credit balance of such account shall be debited to that partner's individual capital account.

If, as a result of debiting a partner's individual capital account with the excess losses, such capital account is depleted, future profits of that partner shall be credited to his or her capital account until such depletion has been eliminated.

(e) Drawing Accounts.

A drawing account, to which withdrawals shall be debited, shall be maintained on the partnership books on behalf of each partner.

Withdrawals may be made subject to such limitations as the partners may from time to time adopt. The drawing account shall be closed to the income account at the close of each fiscal year.

(f) Tax Year.

The taxable year of the partnership shall commence on _____ and end on _____.

10. ACCOUNTING BETWEEN PARTNERS
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10.1 Each partner shall, on every reasonable request, give to the other partners a true accounting of all transactions relating to the business of the partnership, and full information of all letters, accounts, writings, and other things that shall come into such partner's hands or to his or her knowledge concerning the business of the partnership.

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ADMISSION OF PARTNERS

11.1 Additional partners may be admitted to this partnership on such terms as may be agreed on in writing between the existing partners and such new partners. The terms so agreed on shall constitute an amendment to this partnership agreement.

12. WITHDRAWAL, RETIREMENT, AND EXPULSION

12.1 In the event any partner shall desire to withdraw or to retire from the partnership, or shall become disabled so that he or she is unable to fulfill their obligations to the partnership as specified in this agreement, then such partner shall give _____ days' notice thereof in writing by registered or certified mail to the other partners at each other partners' last known addresses.

12.2 If any partner is adjudged incompetent or insane, then such partner's guardian shall give notice of such condition to each of the other partners in the manner provided above.

12.3 If any partner is adjudged insane or incompetent, or becomes disabled to the extent that such partner will be unable [for a period of _____] to fulfill his or her obligations to the partnership as specified in this agreement, or fails for any other reason to fulfill such obligations, such partner may be expelled from membership in the partnership by a majority vote of the other partners, such expulsion to become effective after _____ days' notice of expulsion to such partner.

12.4 The notice shall briefly state the grounds for the expulsion.

12.5 Any partner who retires or withdraws from the partnership shall not, without the written consent of the other partners, conduct or otherwise engage in the _____ business within a _____ mile radius of _____ for a period of _____ years after such retirement or withdrawal.

13. DISSOLUTION, WINDING UP: LIQUIDATION

13.1 The partnership shall be dissolved on the happening of any of the following events:

- (a) Termination of the _____ [term or undertaking] specified herein;
- (b) Withdrawal, retirement, or expulsion of any partner;
- (c) Death, disability, or bankruptcy of any partner; or
- (d) Unanimous agreement of the partners;
- (e) Right To Continue Business After Dissolution.

13.2 On dissolution of the partnership, the remaining partners shall have the right to elect to continue the business of the partnership under the same name, by themselves, or with any additional persons they may choose.

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13.3 If the remaining partners desire to continue the business, but not together, the partnership shall be liquidated.

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13.4 If, on dissolution, the remaining partners elect to continue the partnership business they shall pay to the retiring, withdrawing, or expelled partner, or to the estate of the deceased partner, the value of such partner's interest as of the date of dissolution. Such payment shall be made within _____ months of dissolution.

13.5 The value of a partner's interest in the partnership shall be computed by:

(a) adding the totals of (A) the partner's capital account, (B) the partner's income account, and (C) any other amounts owed to such partner by the partnership, and

(b) subtracting from the sum of the above totals the sum of the totals of (A) the partner's drawing account and (B) any amount owed by the partner to the partnership.

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(c) Winding Up and Liquidation.

13.6 On dissolution of the partnership, if the partnership business is not continued it shall be wound up and liquidated as quickly as circumstances will allow.

13.7 The assets of the partnership shall be applied to partnership liabilities in the following order:

(a) Amounts owing to creditors other than partners;

(b) Amounts owing to partners other than for capital and profits;

(c) Amounts owing to partners in respect to capital; and

(d) Amounts owing to partners in respect to profits.

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14. ARBITRATION

14.1 It is agreed that disputes arising under this agreement, or under any instrument made to carry out the terms of this agreement, shall be submitted to arbitration in accordance with Texas law.

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15. NOTICES TO PARTNERS

15.1 All notices to the partners pursuant to this agreement shall be in writing and shall be deemed effective when given by personal delivery or by _____ [specify other form of notice, such as sending by certified mail].

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6 AMENDMENTS

16.1 This agreement, except with respect to vested rights of the partners, may be amended at any time by a majority vote of the partners.

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Signed on _____.

Partner

Partner

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