

# General Partnership Agreement

- ☞ This is a comprehensive partnership agreement that will accommodate an unlimited number of partners (if you want that many).
- ☞ While it offers/includes a variety of ideas and specifications, you will most likely want to tweak them to suit your business and business model – carefully read each section and make your changes.
- ☞ The first part of the Memorandum should be completed, and distributed to all Partners along with a copy of the General Partnership Agreement.

Date: **[Date]**

To: **All General Partners**

From: **[Owner/Founder]**  
**[Company]**

Subject: **General Partnership Agreement of [Name of the Partnership]**

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Attached to this memorandum is our General Partnership Agreement.

Please review it carefully. Do not sign the Agreement yet – We need to sign it in the presence of a Notary Public who will then notarize the Agreement.

This Agreement is required by the bank, amongst others, and it sets the terms under which we will conduct business through the Partnership.

I believe that it embodies everything we discussed.

We recommend that you also have it reviewed by your own qualified legal counsel.

Time is of the essence.

Please sign and return it to me asap.

Thank you very much!

# From JIAN

## NOTICE:

We wish we could provide an agreement that was tailored *exactly* to your business. While this is not always possible, we feel that we've come very close and that this document provides you with the head-start that you need to get your deal moving. Nevertheless, we must make this disclaimer:

- 🔊 **Do Not Use This Agreement 'As-Is.'**
- 🔊 **This Agreement Is Not Legal Advice.**
- 🔊 **Read it Thoroughly and Make All Appropriate Changes to Fit Your Requirements.**
- 🔊 **You Should Have this Agreement Reviewed and Approved by a Qualified Attorney at Law Before Using It.**
- 🔊 **JIAN Accepts No Liability for the Effectiveness of This Document For Your Purposes.**

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We're building a network of business experts who are eager to help you when you need it. They can review your work, make suggestions, handle unique situations and introduce you to influential people. On our website you can search by expertise and location, then e-mail or jump straight to their website. Although they are professionals and charge for their services, most offer an initial consultation free of charge. They're in your area and you can contact them directly.


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Things change, laws change, the world changes... new ideas come along all the time. When you register, you can access our website to get updates and changes... like new and improved spreadsheets and documents. They can be downloaded directly to your computer.

- Please visit our website under [Updates](#).
- Remember to bookmark our website: [www.JIAN.com](http://www.JIAN.com)

## Editing Your Sample Contract

Since this entire agreement is formatted in Word, you can edit it like any other Word document. You can jump from variable to variable by clicking the above  green arrows (JIAN Menu) which will take you forward / backward and highlight the entire sample text identified within the “[ ]” brackets – simply edit / type-over with your information.

To make sure you have filled in all the variables, use Word's 'FIND' function to locate any “[ ]” which may contain an unedited variable.

- Click the  icon in the JIAN menu above to turn the expert comments on/off.
- Upon completion, delete any unnecessary blank lines that remain.
- You may format this document any way you like.
- Delete this page.

# [Company Legal Name]

## General Partnership Agreement

- 🔊 This is a standard introductory paragraph that lists the parties to this Agreement and the date it is being entered into.
- 🔊 Enter the date of the Agreement along with the names of all of the Partners (if there are more than two Partners, add them as Partner C, D, E and so on.)
- 🔊 This is a fairly simple form of General Partnership Agreement. These agreements can be quite complex, particularly when dealing with the allocation of profits and losses, and distribution of profits among the Partners. For these matters, please consult with an accountant.

Effective Date:                    **[Date]**

By and between                    **[Owner/Founder]** (“Partner A”),

**[Name of the Second Partner]** (“Partner B”),

and    **[Name of the Third Partner]** (“Partner C”),

referred to as “Partners,” under the following provisions. The Partners agree as follows:

- 🔊 Section 1 provides definitions of the more important terms used in this Agreement. We won't try to summarize these definitions as they are already clear and brief.

### 1. Definitions

As used in this Agreement:

- “Initial Capital” refers to the money invested by the Partners prior to the commencement of business;
- “Net Profits” means the net profits of the Partnership as determined by generally accepted cash accounting principles for each accounting period provided for in this Agreement.
- 🔊 This section gives the purpose of the Partnership and states that this purpose may be enlarged if all of the Partners agree.
- 🔊 You should describe the business as specifically or generally as you desire. The more general you are, the larger the potential scope of the business. While you may define the nature of the business narrowly, you would need to amend this Agreement to expand that definition later on if the nature of the business expanded.

### 2. Partnership

Partner A, and Partner B, will voluntarily associate themselves together as General Partners for the purpose of conducting the general business of [Describe the nature of your business] and other such related activities as may pertain to the same. The scope of this Partnership will not be limited to any one specific field of endeavor and may be expanded at any future time by the agreement of both Partners.

### 3. Partnership Name

🔊 Insert the name of the Partnership.

The name of the Partnership will be [**Name of the Partnership**].

### 4. Partnership Term

🔊 The Term or life of the Partnership lasts until the Partners terminate the Partnership.

This Partnership will commence on the execution of this Agreement and will continue until dissolved by mutual Agreement of the Partners or terminated as provided for in this agreement.

### 5. Place of Business

🔊 The Partnership's principal place of business can be changed so long as all of the Partners agree.

The principal place of business of the Partnership will be located at [x] (Address, City, State), and such other place or places as may be mutually agreed on by the parties to this Agreement.

### 6. Initial Capital

🔊 The initial capital is the total amount of money the Partners put into the Partnership.

🔊 The first insert is the sum of all of the Partners' capital contributions.

🔊 The second and third inserts are the individual contributions of the Partners. If the number of partners makes this list too long, you may wish to refer to an Exhibit that lists the contributions of the Partners.

The Partnership's initial Capital will be the sum \$[Insert the sum of the Partners' Capital Contributions].

- Partner A will contribute \$[xxx] toward the initial Capital.
- Partner B will contribute \$[xxx] toward the initial Capital.
- Partner C will contribute \$[xxx] toward the initial Capital.

### 7. Income

🔊 This section lists all of the Partnership's income sources.

🔊 List any current or expected income sources to the Partnership; for example, "Sale of Furniture," "Medical Services," etc. If there are more than two sources of income, you can add them to the list.

Partnership income will come from the following sources:

7.1 [List a source of income]

7.2 [List a source of income]

🔊 Section 8 protects the Partnership's capital. It prohibits any of the Partners from taking out any of the Partnership's capital or borrowing against any asset of the Partnership without the approval of the other Partner(s).

### 8. Capital Withdrawal

No Partner will withdraw any portion of the earned Capital of the Partnership, borrow against any asset of the Partnership, or otherwise encumber any asset of the Partnership without the express written consent of the other Partner(s).

## 9. Books of Account

☞ Section 9.1 requires the Partners to keep accurate books of the Partnership.

9.1 At all times during the continuance of the Partnership, the Partners will keep accurate books of account in which all matters relating to the Partnership, including all income, expenditures, assets and liabilities of the Partnership will be entered.

☞ Section 9.2 states that any money received by the Partnership must be deposited into the Partnership checking account, and that any withdrawals from that account require all of the Partners' signatures.

9.2 The Partnership will maintain checking or other accounts in a bank or banks as the Partners will determine, and all funds received by the Partnership will be deposited. Withdrawals will require all Partners' signatures.

☞ Section 9.3 determines the Partnership's accounting method. Cash accounting means you account for revenue when it is received. Accrual accounting means you account for revenue when it is earned. Depending on the nature of your business, this may be a very important election. We recommend that you speak to an accountant who can advise you on this matter.

☞ Enter the appropriate accounting method.

9.3 All books of account books will be kept on a [Cash / Accrual] basis.

☞ The Partnership must keep accounting books that include Partnership income, expenses, assets and liabilities. All of the Partners have access to these books.

9.4 Partnership books of account will be accurately kept and will include records of all Partnership income, expenses, assets, and liability. Each Partner will have the right to inspect all Partnership books of account at any time.

## 10. Accounting

☞ Section 10 states that each Partner will receive monthly financial statements within the bracketed period of time following the end of that month, and that any errors must be pointed out within the second bracketed period.

☞ Insert the amount of time required for distribution of the monthly Partnership income statements.

☞ Insert the amount of time the Partners will have to bring errors to the attention of the other Partner(s). Note that you may also want to indicate which of the Partners will serve as the Managing Partner, responsible for administering the affairs of the Partnership for all of the Partners.

A complete accounting of the Partnership affairs as of the close of business on the last day of each calendar month of each year will be provided to each Partner within [ten (10) days] after the close of the month. On each accounting being made, the Net Profits and losses of the Partnership will be distributed to the Partners as provided in this Agreement or by subsequent Agreement. Except as to manifest errors brought to the other Partner within [thirty (30) days] after its rendition, each such accounting will be final and conclusive as to the Partners.

## 11. Fiscal Year

☞ The Fiscal Year of most businesses ends on December 31. However, you may be able to use a different fiscal year if you so desire (generally, you must have a good business reason for doing so). We suggest that you check with an accountant if you are thinking about a fiscal year other than December 31.

☞ Insert the Month when your Fiscal Year will end.

The fiscal year of the Partnership will end on the 31st day [of December] of each year.

## 12. Distribution of Profits & Losses

- ☞ Section 12 sets forth how the profits and / or losses of the Partnership are to be distributed among the Partners. Generally, Partners share profits and / or losses in proportion to their investment in the Partnership. Thus if there are two Partners and each put in \$25,000 for a total of \$50,000, each would get 50% of any profits and share equally in the losses. This area is quite complex, and you may wish to consult with an accountant.
- ☞ For the first two inserts, insert the relative percentages of the Partners' share of profits and losses.
- ☞ For the third insert, Insert the relative percentages of the Partners' share of the listed expenses.

12.1 Any Net Profits or losses that may accrue to the Partnership will be distributed to or be shared by the Partners as follows:

- Partner A [Forty % (40%)];
- Partner B [Thirty % (30%)].
- Partner C [Thirty % (30%)].

It is understood that each of the Partners will be responsible for any encumbrances, taxes, insurance and other expenses related to the operation of said business per the ratios defined in this section..

- ☞ You may wish to prevent distributions for a certain period of time. Section 12.2 allows you to do this.
- ☞ If, for a certain period of time, you wish to keep the profits of the Partnership in the Partnership rather than distributing them, keep this section. Note that the Partners will each be taxed in proportion to their allocations of profits as stated in this Agreement, even though these profits are not distributed. As such, most Partnerships distribute enough profits to permit Partners to pay their taxes due.
- ☞ Insert the period of time you want to keep those profits from being distributed.

[12.2 All profits for one (1) year will remain in the account of the Partnership for development of more business, after that time the Partners are to agree on the further distribution or retention of profits.]

## 13. Time Devoted to Partnership

- ☞ The following section sets forth the Partners' time requirements with respect to the Partnership. You decide what is necessary, whether full time or part time.
- ☞ Select the one that best describes your expectations of the Partners.

13.1 Each Partner will devote [x] (His or her full time / or such time as may be necessary to carry out the Partnership business), it being specifically understood that the Partners will utilize their best efforts to divide the responsibilities for the operation of the Partnership on an equal basis.

13.2 The interest in the overall good of the Partnership will take precedence over the individual interest of a Partner.

## 14. Management & Authority

- ☞ Section 14 gives a broad job description of the Partners and sets limits on any obligations any Partner can bind the firm to.
- ☞ 14.1 sets forth the general responsibilities of the Partners. Try to be as specific as possible in describing the duties of the Partners.

14.1 In general, the responsibilities of the Partners will be as follows: Partner A will have the sole discretion as to [the design, use, sale, promotion, and distribution of the Partnership products / services]. Partner B will [assist in sales / accounting].

- ☞ Section 14.2 states that no Partner can obligate the Partnership for more than the bracketed amount of money without the written approval of all of the Partners. If a Partner is in violation of this, he or she will have to pay the Partnership these sums.
- ☞ Enter the maximum amount any Partner may obligate the Partnership to. For any amounts greater than this, all of the Partners will need to agree in writing.

14.2 Each Partner will have an equal voice in the management of the Partnership and will have authority to bind the Partnership in making contracts and incurring obligations in the name and on the credit of the firm. Provided, however, no Partner will incur any obligations in the name or on the credit of the firm exceeding [One Thousand Dollars \$1,000.00] without the express written consent of the other Partner(s). Any obligation incurred in violation of this provision will be charged to and collected from the individual Partner incurring such obligation.

## 15. Partners' Salaries

- ☞ Section 15 sets the salaries of the Partners, if any. Note, you may set forth salaries in a separate Agreement. You may set it up so that the Partners do not have to take a salary, or one Partner may take a salary and the other may not.
- ☞ First determine if the Partners will be receiving salaries, next determine the amount of the salaries.

[Partner A will receive a salary of \$\$, Partner B will receive \$\$ / No Partner will be entitled to a salary unless otherwise agreed to by a subsequent Agreement.]

## 16. Withdrawal of Partner

- ☞ Section 16 deals with the withdrawal of one of the Partners. For various reasons, you may not want to allow a Partner to withdraw from the Partnership. In that case, you should require unanimous consent of the Partners before a Partner can withdraw. In the event that you provide for a Partner's withdrawal, Section 16 will give the remaining Partner(s) the first option to purchase the withdrawing Partner's interest.
- ☞ Choose one of the options. If you do not want a Partner to be able to withdraw without the consent of all Partners, select the first option, otherwise select the second option.

[No Partner may withdraw from the Partnership without the express written consent of all of the Partners / Either Partner may withdraw from the Partnership at the end of any accounting period by giving the other Partner thirty (30) days' written notice of his intention to do so. The withdrawing Partner will give the other Partner first option to purchase the other's interest, valued by independent appraisers or value of such interest as shown on the last regular accounting.)

## 17. Survivorship Interest

- ☞ In the event that one or more of the Partners dies, you need to decide what happens to that Partner's interest. There are two options below. The first option states that the spouse and / or children of the dead Partner will take over that Partner's interest and management in the Partnership, and that they will have the option of maintaining that interest or of selling it to the surviving Partner(s). You should discuss these options with an attorney as they are extremely important. Choose one of the following two options in Section 17.
- ☞ If you select this first option, you may want to provide for continued income to the spouse / children of the surviving Partner. You should enter the percentage of the income of the Partnership that they will receive.

Should one or all of the Partners die, his / their interest(s) and management will continue to his / their spouse or children. It will be the discretion of the spouse to continue the business and responsibilities of or to sell his / her interest to the other Partner. [The widowed spouse and children will always retain a

10% net income from the business for the life of the business, to be paid quarterly].

☞ ~ [Or] ~

☞ This option gives the surviving Partner(s) the right to purchase the deceased Partner's Partnership interest pursuant to the Purchase Price set in Section 18.

## 17. Option To Purchase

On dissolution of the Partnership by death, withdrawal, or other act of either Partner, the remaining Partner(s) may continue the Partnership business by purchasing the outgoing Partner's interest in the Partnership assets and good will. The remaining Partner will have the option to purchase the outgoing Partner's interest by paying to the outgoing Partner, or the appropriate personal representative, the value of the outgoing Partner's interest as determined in Section 18 of this Agreement.

☞ Section 18 sets the net worth of the Partnership at the end of each fiscal year. This value is used when one of the Partners dies or otherwise withdraws from the Partnership and the remaining Partner(s) buys out that Partner's interest. If there is a discrepancy as to that value, an arbitrator will be used to set the value within the bracketed period of time.

## 18. Purchase Price

☞ Enter the amount of time the Partnership has to get a third party arbitrator to resolve any discrepancies in the value of the business.

18.1 The Partners agree to determine a net worth of the Partnership business at the end of each fiscal year based upon standard accounting and business appraisal principles. This value will serve as an established market value of the business for the purpose of a deceased, withdrawing, or terminated Partner. The Partners agree that any discrepancy about the value of the business will be determined by a third party arbitrator within [x] (Ninety (90) days) from the death, withdrawal or termination of a Partner.

☞ If the remaining Partner(s) buy out a Partner or his survivor's interest, they agree to pay him or her their share of the Partnership as determined in Section 18.1 plus that Partner's share of un-withdrawn profits.

18.2 Upon exercise of the option to purchase, described above, the remaining Partner will pay to the outgoing Partner, or appropriate personal representative, the value of the outgoing Partner's Partnership interest as determined by the last regular accounting preceding dissolution, plus the full un-withdrawn portion of the outgoing Partner's share and net profits earned between the date of such accounting and the date of dissolution.

## 19. Assumption of Obligations

☞ In Section 19 the remaining Partner(s) (in the event one or more of the Partners leaves the Partnership) agrees to assume all of the obligations of the Partnership going forward. This means that the departed Partner or his spouse / children will not be liable with respect to any of the debts or obligations of the Partnership.

On any purchase and sale being made according to the provisions of Section 17 or 18 of this Agreement, the remaining Partner(s) will assume all obligations of the Partnership and will hold the withdrawing Partner, the personal representative and estate of a deceased Partner, and the property of any such withdrawing or deceased Partner free and harmless from all liability for such obligations. Further, the remaining Partner, at his or her cost and expense, will immediately cause to be prepared, filed, served, and published all such notices as may be required by law to protect the withdrawing Partner of the personal representative or estate of a deceased Partner from liability for the future obligations of the Partnership business.



## 20. Dissolution

- Section 20 states that if the Partnership is dissolved, the amount leftover after all debts are paid is distributed to the Partners according to their net worth in the Partnership.

On dissolution of the Partnership other than as provided in Sections 15 and 16 of this Agreement, the affairs of the Partnership will be finalized, the assets of the Partnership liquidated, all debts paid, and the surplus divided among the Partners according to their net worth in the Partnership Business.

## 21. Arbitration

- Assuming the parties wish to use arbitration in the event of a dispute, the following section should be included.

Any dispute relating to the interpretation or performance of this Agreement will be resolved at the request of either party through binding arbitration. Arbitration will be conducted in [County] and [State] according to the then-existing rules of the American Arbitration Association. Judgment upon any award by the arbitrators may be entered by any state or federal court having jurisdiction. All of the Partners intend that this Agreement to arbitrate be irrevocable.

## 22. Notice

- Section 22 requires any legal notices between the parties be in writing and delivered in person or via facsimile or certified or registered mail. A copy of such a notice should be kept as part of the Partnership's records.

Any and all notices between the parties provided for or permitted under this Agreement by law will be in writing and will be deemed duly served when personally delivered to a Partner, or, in lieu of such personal service, by facsimile transmission or, when deposited in the United States Mail, certified, postage prepaid, addressed to such Partner at the address of the principal place of business and signed copy of that notice will be filed and kept with the books of the Partnership.

## 23. Entire Agreement

- Section 23 states that this Agreement is intended to be the only Agreement, and that no other documents or communications are binding. Therefore, it is very important to make sure that everything the Partners have discussed and agreed to is included in this Agreement. Otherwise, it is as if it was not agreed to. Any subsequent changes to the Agreement must be in writing and signed by all of the Partners.

This document is the entire and only agreement of the Partners relating to their Partnership, and correctly defines the rights, duties and obligations of each to the other in connection with the Partnership as of its commencement date. Any prior agreements, promises, negotiations, or representations not expressly defined in this Agreement are of no force or effect. Any modifications, additions, or alterations of this Agreement must be in writing and signed by all Partners.

## 24. Governing Law & Venue

Any dispute between the Partners that is not resolved by arbitration, and the enforcement of any award will be heard by the appropriate federal and state courts of [County], [State].

## Understood & Agreed & Approved

The Partners unanimously agree to this Agreement as of the Effective Date stated above.

Partner A: \_\_\_\_\_

Date:

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Partner B:

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Date:

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Partner C:

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Date:

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## Notary Public

 You should sign this Agreement in the presence of a Notary Public.

State of [State]

:ss

County of [County]

Before me, the undersigned authority, personally appeared \_\_\_\_\_ who after being duly sworn, acknowledged execution of the preceding instrument.

Sworn to and subscribed before me this \_\_\_\_ day of \_\_\_\_\_ 20\_\_.

\_\_\_\_\_

Notary Public

My commission expires: \_\_\_\_\_

Residence is: \_\_\_\_\_