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Partnership Dissolution Agreement - Long Form - Example Document

This is a sample Long Form Partnership Dissolution Agreement, based on a medium sized manufacturing business that was conducted as a partnership. In this example, the 3 partners worked together in a business providing design and machine manufacturing. The business has been operating under a formal partnership agreement, and the partners will take their respective share of partnership assets once the debts of the business have been paid off. In addition, in this example, one of the partners and the partnership has been named in a harassment suit, and the dissolution agreement contains specific reference to debts and liabilities that may result from such suit.

Agreement for Dissolution and Winding Up Of Mountain Machinists, a Montana general partnership

This dissolution agreement is made on _____, between Mountain Machinists, a Montana general partnership, formed under a written partnership agreement dated January 10, 2000, with principal offices at 500 Lochrain Avenue, Cedar City, Montana (the "Partnership"), and its general partners Larry Whitmore, Susan J. Fox, and Sandy Sutton, and hereinafter referred to as the "Partners", to provide for the dissolution and orderly winding up of the partnership business, which business primarily consisted of the design and production of automated machinery for the automotive industry.

Section 1. DISSOLUTION. The Partners hereby agree that the Partnership shall be dissolved, effective as of October 10, 2002 (the "date of dissolution"), and the Partners agree that the partnership shall be wound up and liquidated as of and following such date.

Section 2. APPOINTMENT OF LIQUIDATING PARTNER. Sandy Sutton shall be the liquidating partner (the "liquidating partner") and shall have the exclusive right and obligation to wind up the partnership business.

In addition, prior to the dissolution of the Partnership, the following additional business matters will be completed: the partners shall bid on RFB Service Contract # 10-4623, and if awarded shall complete all design and construction per same prior to its dissolution. Sandy Sutton shall be responsible for completing such additional matters.

Following the date of dissolution, no other Partner may act on behalf of or bind the Partnership, to represent the Partnership in any official capacity, or to participate in management or control of the Partnership, for purposes of winding up its business or otherwise.

Section 3. SALARIES, WITHDRAWALS. As compensation for serving as liquidating partner, Sandy Sutton shall receive the sum of \$4,000. This compensation shall be considered an expense of winding up

the partnership's business and shall not be charged to the capital account of the liquidating partner as a withdrawal. Except for the compensation to the liquidating partner, none of the partners shall receive any compensation, make any withdrawals, or receive any interest on their contributions or respective shares of the partnership's capital after the date of dissolution, other than as a liquidating distribution under this agreement.

Section 4. POWERS OF LIQUIDATING PARTNER. The liquidating partner shall have authority to wind up the partnership business, including full power and authority to:

- (a) Sell, transfer, hypothecate, pledge, or otherwise encumber or dispose of all the partnership's assets, in whole or piecemeal, including but not limited to its goodwill and its name, for cash or a cash equivalent at a price and on terms that the liquidating partner shall determine necessary or appropriate to accomplish an orderly and timely liquidation of the partnership.
- (b) Represent and act on behalf of the partnership in all matters affecting it during the winding-up period, including the power to engage professional and technical services of others (including without limitations, accountants, attorneys, appraisers, brokers, auctioneers) and to institute and defend any legal proceedings that may be pending or brought by or against the partnership.
- (c) Prepare, execute, file, record, and publish on behalf of the partners and the partnership any agreements, documents, or instruments connected with the dissolution and winding up of the business and affairs of the partnership.
- (d) Pay or otherwise settle or discharge all of the debts, liabilities, and other obligations of the partnership.
- (e) Distribute any partnership assets, including the proceeds of any sale of assets, remaining after payment of debts, liabilities, and other obligations to partners in proportion to their respective interests.
- (f) Take all other action necessary, appropriate, or incidental to the foregoing powers or to the performance of the duties of the liquidating partner under this agreement.

The liquidating partner shall use his or her best efforts to complete liquidation of the partnership by October 10, 2002 (the "termination date").

On the termination date, the liquidating partner shall have authority to execute any deeds, bills of sale, or other conveyance by and for the partnership that shall be necessary or appropriate to evidence or effect the transfer of the remaining assets to the partners according to the plan.

Section 5. DUTIES OF LIQUIDATING PARTNER. The liquidating partner shall devote such time as he or she deems necessary to liquidate the partnership in the manner provided herein and as required by law. In addition, the liquidating partner shall:

- (a) On no less than a monthly basis, report in writing to the other partners the actions taken toward liquidation of the partnership business, including specific reports detailing the sale or other disposition of any partnership assets, and the proceeds derived from same;
- (b) Arrange for and supervise a complete physical inventory of the partnership assets as of the date of dissolution;
- (c) Notify the partnership's known creditors (including suppliers with unpaid accounts) of the partnership's dissolution and the lack of authority of non-liquidating partners to further bind the partnership business;
- (d) Prepare and file all required partnership federal and state tax returns; obtain necessary or desirable permits or other authorizations; to the extent required by law, cancel any existing authorizations,

licenses, or permits; and resolve or dispose of other matters related to the dissolution of the partnership as required by law or consistent with the purposes set forth in this agreement.

(e) Publish in a newspaper of general circulation and record with the appropriate county or state official, a notice of dissolution of partnership.

In performing these duties, the liquidating partner shall act diligently, honestly, and in good faith and shall account to the partnership for any benefit or profits derived from transactions connected with the liquidation.

Section 6. INDEMNIFICATION OF LIQUIDATING PARTNER. The partners, jointly and severally, shall indemnify and hold harmless the liquidating partner from all losses, claims, expenses, damages, liabilities, or obligations of any kind (including legal fees and expenses) arising from or connected with the winding up and liquidation of the partnership and the performance of his or her duties under this agreement, except for losses or claims arising from or connected with the liquidating partner's breach of his or her obligations under this agreement or willful misconduct.

Section 7. DISTRIBUTIONS. Proceeds from the disposition of partnership assets shall be applied first to the satisfaction of all partnership debts and liabilities. Proceeds and assets, if any, remaining after payment of creditors shall be distributed as follows:

Cash proceeds to be distributed to all partners in accordance with each partner's capital account as shown in the Partnership books.

Section 8. PAYMENT OR ASSUMPTION OF PARTNERSHIP DEBTS. Any debts remaining following the winding up period will be assumed by and/or paid by the Partners as follows:

Larry Whitmore shall pay and/or assume the following debt: any debts resulting from the existing harassment action filed in Cook District Court, Case No. 235234.

Section 9. INDEBTEDNESS OF PARTNERS. Each Partner who is indebted to the Partnership shall pay on demand of the liquidating partner all debts or other obligations that he or she owes to the Partnership. However, the liquidating partner shall not make such a demand if the obligation is not otherwise due, unless the liquidating partner determines that the amount owed by the Partner is required for the payment of creditors (including Partners) or other liabilities or to satisfy the interest of other Partners. Then, on request of the liquidating partner, each Partner shall immediately pay in full (or to the extent demanded) to the liquidating partner the amount he or she owes the Partnership. Debts or other obligations owed by any Partner to the Partnership shall not be cancelled or extinguished by the transfer of any assets (other than cash payment in full) to or from the Partner unless otherwise agreed in writing by all the Partners; these debts shall be taken into account in the final settlement among the Partners.

Section 10. CONTRIBUTION IF PARTNERSHIP ASSETS INSUFFICIENT. If the Partnership assets are insufficient to satisfy its debts and obligations (including but not limited to expenses of liquidation, reasonable provisions for reserves for contingent liabilities, and debts to Partners for money or property loaned or services rendered to the Partnership), each Partner shall make contributions to the Partnership in proportion to his respective share of Partnership losses, as stated in the partnership agreement. Partners shall contribute pro rata, based on their respective interests, to make up the deficiency, and shall be indemnified by the defaulting Partner for all amounts so contributed, with interest at the rate of 8 percent per annum on the unpaid balance and all costs and expenses of collection, including reasonable attorneys' fees. Any Partner, including the liquidating partner, shall have the right to demand, at any time after the Partner who is so demanding has contributed the amount representing his or her share of the deficiency, that the other Partners pay their share of the deficiency to the liquidating Partner.

Section 11. RELEASE OF CLAIMS. Each partner hereby releases each of the other partners and the partnership from all known claims arising under the partnership agreement, except as stated elsewhere in this agreement and/or any equalization payments set forth herein.

Section 12. MUTUAL REPRESENTATIONS AND WARRANTIES. Each partner represents and warrants to each of the other partners that, except as stated in this agreement, the partnership books and reflected in the partnership's financial statements (a) the partner has not incurred any obligation or liability on behalf of or as apparent agent of the partnership or the other partners, or for which the partner or any other partner may be charged, or for which the partner intends to claim refund or reimbursement from the partnership; and (b) the partner has not received, discharged, or transferred any credit, moneys, property, or other assets of the partnership. These representations and warranties shall survive the final termination of the partnership.

Section 13. RETENTION AND ACCESS TO RECORDS. After termination of the partnership, its books and records shall be retained in the custody of Sandy Sutton for a period of three (3) years. Each partner shall have access to these books and records at reasonable times during working hours and at the partner's expense may copy all or any part of the books and records for any proper purpose.

Section 14. POWER OF ATTORNEY TO LIQUIDATING PARTNER. Each partner, being fully informed and aware that this grant of authority is a special power of attorney coupled with an interest and is thus irrevocable, hereby constitutes and appoints the liquidating partner as that partner's attorney-in-fact, in his or her name and for his or her use and benefit to prepare, execute, acknowledge, verify, file, record, and publish:

(a) All agreements, certificates, and other instruments and documents amending the partnership agreement that may be appropriate to reflect (i) a change of the name or location of the principal place of business of the partnership, (ii) a change of the name or address of a partner, (iii) the disposal of a partner's interest in the partnership in any manner permitted by this dissolution agreement or the partnership agreement, (iv) a person's withdrawing from or becoming an additional partner of the partnership, (v) a change in or amendment to any provisions of the partnership agreement required by the dissolution agreement, (vi) the exercise by any person of any right or rights in the partnership agreement or in this dissolution agreement, or (vii) distributions that may constitute a return of capital, to which distributions the undersigned hereby consents;

(b) All other agreements, notices, instruments, and documents required or appropriate to effect the continuation, dissolution, liquidation, or termination of the partnership, pursuant to the terms of this agreement, under the laws of , under laws of any other state or other jurisdiction in which the partners reside or the partnership is doing business, or the rules and regulations of any governmental agency in regard to the activities, business, name of the partnership, or changes affecting the membership of the partnership. Each of these agreements, certificates, notices, instruments, and documents shall be in such form as the attorney- in-fact here appointed and the counsel for the partnership both shall deem appropriate, and may be executed by the attorney-in-fact by listing all of the partners on whose behalf the agreement, certificate, notice, instrument, or document is being executed, with his or her single signature as attorney-in-fact acting for all of them. Each partner further authorizes the attorney-in-fact to take any further action that the attorney-in-fact shall consider necessary or advisable in connection with any of the foregoing, giving the attorney-in-fact full power and authority to do and perform every act or thing requisite or advisable to be done in this matter as fully as the partner could do if acting in person, and ratifies and confirms all that the attorney-in-fact shall lawfully do or cause to be done under this provision.

The foregoing grant of authority and power of attorney shall survive the executing partner's death, insanity, disability, incapacity, or delivery of an assignment of the whole or any portion of his or her interest in the partnership, subject to the limitations set forth in this agreement.

Section 15. WAIVER. The partners hereby waive any rights they might have at law or in equity to obtain an accounting or a court-supervised winding up, to maintain an action in partition of property, or to otherwise interfere in any way with the process of winding up and termination contemplated by this dissolution agreement.

Section 16. ADDITIONAL INDEMNIFICATION: In addition to the indemnification otherwise set forth in this Agreement, Larry Whitmore agrees to indemnify the other partners from any actions pertaining to claims of harassment alleged to have been committed by him, from any employees against the partnership or any partners therein.

Section 17. SUCCESSORS. This agreement shall benefit and be binding on the respective heirs, executors, administrators, legatees, distributees, devisees, representatives, assignees, and other successors of each partner.

Section 18. NOTICES. All notices, requests, demands, and other communications under this agreement shall be in writing, and shall be deemed to have been duly given on the date of delivery if personally delivered to the person to whom notice is to be given, or on the second day after mailing if mailed to the person to whom notice is to be given by first class mail, postage prepaid, and properly addressed to that person's last known address shown in the partnership's records or such other address as may be set forth in a written notice of change of address received by the liquidating partner.

This Agreement is executed in the State of Montana, and is effective on the last date signed by the last Partner to sign hereunder.

_____ dated: _____
Larry Whitmore

_____ dated: _____
Susan J. Fox

_____ dated: _____
Sandy Sutton

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