

**Buy-Sell Agreement**  
**(Between Partners of General Partnership)**

THIS AGREEMENT is made this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ (Partners); and \_\_\_\_\_ (Partnership). The partners are engaged in the business of \_\_\_\_\_ under the Partnership name, and the firm's principal place of business is at \_\_\_\_\_.

The purpose of this agreement is (1) to provide for the sale by a Partner during lifetime, or by a deceased Partner's estate, of his interest in the Partnership, and for the purchase of such interest by the Partnership at a price fairly established; and (2) to provide all or a substantial part of the funds for the purchase.

THEREFORE, in consideration of the mutual promises and obligations set forth hereafter, each Partner, for himself, and the Partnership as an entity, for itself, agree as follows:

**I.**

At this time, each Partner's interest in the Partnership is as follows:

\_\_\_\_\_ owns \_\_\_\_\_ %  
\_\_\_\_\_ owns \_\_\_\_\_ %  
\_\_\_\_\_ owns \_\_\_\_\_ %

While this agreement is in effect, no Partner shall have any right to assign, encumber or dispose of his interest in the Partnership except as provided herein.

**II.**

Upon the death of a Partner his estate shall sell, and the Partnership shall purchase, his entire interest in the Partnership for the price and upon the other terms provided herein. The

Partners expressly agree that upon the death of any Partner, the surviving Partners shall continue the Partnership without interruption.

### III.

If a Partner desires to withdraw from the Partnership or to sell or otherwise dispose of any part of his interest during his lifetime, he shall give the Partnership and each of the other Partners written notice of his intention. If there is a prospective transferee other than the existing Partners, such notice shall state the name and address of such transferee and the terms and conditions of the proposed transfer.

Upon receive of such written notice the Partnership shall have the right to purchase all of the interest offered for sale or transfer. The purchase price shall be the amount established in Article IV below; provided, however, that if a lower price was stated in the notice to the Partnership, it shall have the right to purchase at such lower price.

If the Partnership fails to purchase the entire interest offered for sale within \_\_\_\_\_ days after receipt of the notice, the other partners shall have an additional \_\_\_\_\_ within which to purchase the unsold part for the same price. Each Partner shall individually have the right to purchase that portion of the available interest which bears the same ratio to that interest as the interest the purchaser already owns bears to the combined interests of all the Partners, excluding the interest offered for sale and any interest retained by the selling Partner.

If a Partner fails to purchase his full proportion of the interest available within the time allowed, the other Partner(s) shall have an additional \_\_\_\_\_ days within which to purchase the unsold part for the same price.

The Partnership shall pay for the interest of a selling Partner in cash on the date of sale, and thereafter, except to the extent of any interest in the Partnership retained, the selling Partner shall not participate in the Partnership profits. The Partners, on the other hand, shall individually have the right to pay for the interest they purchase upon the following terms (or upon any more favorable terms offered to a prospective transferee as stated in the written notice): \_\_\_\_\_% of the purchase price in cash upon the date of exercise of the option to purchase; the balance in equal installments evidenced by a series of promissory notes, the first note payable \_\_\_\_\_ months from the date of exercise of the option and the remaining notes payable at \_\_\_\_\_ intervals thereafter, with interest at the rate of \_\_\_\_\_% per annum payable on each note at its maturity. Each promissory note shall include and be subject to the provisions of Article X hereof.

Unless the Partnership or the other Partners purchase the entire interest offered for sale within the successive time periods allowed, upon expiry of the last such period, the interest may be disposed of to the person and upon the terms and conditions described in the notice, or to any other person or persons, provided only that (1) the notice and first offer procedure described above shall be repeated in connection with every other intended transfer; and (2) the agreement establishing the Partnership does not further restrict or prevent such sale or other disposition.

Any change in the respective ownership interest of the Partners resulting from a lifetime purchase and sale hereunder shall be recorded in Schedule A attached hereto.

#### IV.

At this time the fair market value of the Partnership's capital assets, including goodwill, is \$ \_\_\_\_\_; the fair value of unrealized receivables is \$ \_\_\_\_\_; and the fair

value of inventory items is \$ \_\_\_\_\_. Therefore, the value of each Partner's interest in the Partnership is as follows:

_____	\$ _____
Partner	
_____	\$ _____
Partner	
_____	\$ _____
Partner	

These values shall remain effective for the purposes herein until there is a redetermination of the values as hereafter provided.

At the end of each fiscal year of the Partnership, and whenever there is a change in the percentage interests of the Partners under Article III hereof, the Partners shall redetermine these values and shall indicate the new values by entries in Schedule B attached hereto. Each new set of values entered in Schedule B shall be signed by all the Partners, and the last value for a Partner's interest in the Partnership entered opposite his name in Schedule B shall be controlling for the purposes of this agreement; except that if there has been no redetermination of value within 2 years prior to a Partner's death, the value of the deceased Partner's interest shall be the last valuation agreed to by the parties, adjusted to reflect any increases or decreases in the capital account of such deceased Partner from the date of the last agreed valuation to the date of death, such increases or decreases to be determined by the accounting firm regularly retained by the Partnership. In determining the value of a deceased Partner's interest in the Partnership after his death, the excess of the death claim proceeds over the cash values of the insurance policies on his life which are subject to this agreement at the time of his death shall not be taken into account.

The purchase price for the Partnership interest of a deceased Partner shall be the last value entered opposite his name in Schedule B or the value determined as above, except that in no event shall the purchase price be less than the one-sum death claim proceeds of all the life insurance policies on his life which are subject to this agreement at the time of his death.

Unless a lower price becomes effective under Article III, the purchase price for a Partner's interest upon a sale during his lifetime to the Partnership or the other Partners shall be the last value entered opposite his name in Schedule B at the time of sale. The purchase price for a portion of a Partner's interest, if less than his entire interest is offered for lifetime sale, shall be a pro-rata part of the last value entered opposite his name in Schedule B. The above provision for the one-sum death claim proceeds of the life insurance to be the minimum purchase price shall not apply to a lifetime sale.

To assure that all or a substantial part of the purchase price of a deceased Partner's interest will be available in cash upon his death, the Partnership has purchased insurance on the lives of the Partners from the \_\_\_\_\_ Insurance Company as follows:

<u>Applicant Owner and Policy No.</u>	<u>Amount</u>	<u>Insured</u>	<u>Beneficiary</u>
Partnership	\$ _____	Partner A	_____
Partnership	\$ _____	Partner B	_____
Partnership	\$ _____	Partner C	_____

The Partnership may, from time to time, procure additional policies on the Partners' lives to effectuate this agreement. It may also release policies from the agreement; increase, decrease or make other changes in existing policies; or substitute other life insurance policies on the same

life or lives for any policies subject to this agreement. The Partners hereby agree to do all things necessary to enable the Partnership to obtain additional insurance on their lives or make changes in existing policies.

The Partnership shall apply for and be the owner and one-sum primary beneficiary of all life insurance policies subject to this agreement and shall pay the premiums on all such policies as they fall due. The Partnership may apply policy dividends to the payment of premiums. Proof of premium payments shall be furnished by the Partnership whenever a Partner requests such proof. If the Partnership fails to pay a premium within \_\_\_\_\_ days after it falls due, the insured shall have the right to pay such premium and to be reimbursed therefor by the Partnership.

So long as this agreement remains in effect it is expressly agreed that the Partnership shall exercise none of the rights or privileges granted to it as owner by the terms of the policies (such as the right to borrow upon, surrender for cash, change the beneficiary, or assign a policy) except with the written consent of all the Partners.

Any additional policies or other changes affecting the insurance under this agreement shall be recorded in Schedule C attached hereto and at all times the provisions of this agreement shall extend to all policies recorded in said Schedule C.

## VI.

The \_\_\_\_\_ Insurance Company is not a party to this agreement. Notwithstanding any provisions herein to the contrary, said Insurance Company is expressly authorized to act in accordance with the terms of its policies as though this agreement did not exist, and the payment or other performance of its contractual obligations in accordance with the

policy terms shall completely discharge said Company from all claims, suits and demands of all persons whatsoever.

## VII.

The Procedure upon the death of a Partner shall be as follows:

- (A) The Partnership as beneficiary, shall promptly file claims to collect in cash the one-sum death proceeds of all the policies on the deceased Partner's life which are subject to this agreement.
- (B) Upon the collection of such proceeds and the qualification of a personal representative for the deceased Partner, the Partnership shall pay over to the personal representative an amount equal to the full proceeds collected, in part or in full payment for the deceased Partner's interest in the Partnership.
- (C) If the one-sum death proceeds of all the policies on the deceased Partner's life is less than the total purchase price for his interest as provided herein, the Partnership shall either pay the balance forthwith in cash, or in lieu of such cash payment shall execute and deliver to the personal representative a series of \_\_\_\_\_ promissory notes of equal amount (except that the note last falling due may be for a lesser remaining balance), payable to his order. This first note shall be payable \_\_\_\_\_ months after its execution date, and the remaining notes shall be payable at \_\_\_\_\_ intervals thereafter, with interest at the rate of \_\_\_\_\_% per annum, the interest of each note payable at its maturity. Each promissory note shall include and be subject to the provisions of Article X hereof.
- (D) The personal representative of the deceased Partner shall promptly execute (and shall

cause any other party or parties whose signatures may be necessary to transfer a complete title to the deceased Partner's interest to execute) and, concurrently with receipt of the full purchase price for the deceased Partner's interest (either in cash, or in cash and notes, as provided above), shall deliver all instruments necessary to effectuate the transfer of the deceased Partner's interest to the Partnership, as of the date of the deceased Partner's death. Transfer of such interest shall be made free and clear of all taxes, debts, claims, or other encumbrances whatsoever, except for the represented by any promissory notes given under paragraph (C).

- (E) Concurrently with the transfer to the Partnership of the deceased Partner's interest, the surviving Partners shall execute and deliver to the personal representative of the deceased Partner, an instrument or instruments by which the surviving Partners assure all the debts and obligations of the Partnership and indemnify the deceased Partner's estate against all Partnership liabilities and any and all claims by the surviving Partners or by Partnership creditors.

## VIII.

Each Partner shall have the right to purchase from the Partnership any policy or policies on his life which are subject to this agreement (A) upon withdrawing from the Partnership during his lifetime as provided in Article III above; or (B) upon the termination of this agreement during his lifetime, under any of the circumstances enumerated in Article IX below. This right of purchase shall be exercised as to each policy by paying to the Partnership, in cash, an amount equal to the cash surrender value as defined in the policy, adjusted to the date of transfer of ownership of the policy to the purchaser. The right of purchase shall lapse if it is not exercised



within \_\_\_\_\_ days after occurrence of the event giving rise to the right of purchase.

#### IX.

This agreement may be amended at any time in any particular by a writing signed by the Partnership and all the Partners.

This agreement shall terminate upon:

- (A) The written agreement of the Partnership and all the Partners;
- (B) The dissolution of the Partnership other than by the death of a Partner;
- (C) The death of all partners simultaneously, or within a period of \_\_\_\_\_ days; or upon the death of the last surviving Partner or Partners at any time before the purchase and sale under this agreement of the interest of any other Partner to die; or
- (D) The withdrawal of a Partner from the Partnership during his lifetime by a sale or other disposition of his entire interest to any party or parties except the Partnership or any other Partner or Partners.

#### X.

Each promissory note given under Articles III and VII above shall include and be subject to the following provisions.

1. Each note shall provide that in the event of default of principal or interest for a period of ten (10) days, at the election of the holder all notes of the series shall without further notice immediately become due and payable.
2. Each note shall provide that its maker agrees to pay the reasonable expenses of collection in the event of a default, including reasonable attorney's fees.
3. Each note shall provide for prepayment in whole or in part at any time without penalty,

but only with the consent of the holder. Such right of prepayment shall apply to those notes last due in the series in inverse order.

4. Each note shall be secured in a manner acceptable to all parties at the time the notes are given.

**XI.**

This agreement shall be binding upon the Partners, their heirs, legal representatives, successors and assignees; and upon the Partnership, its successors and assigns

**XII.**

Unless otherwise provided in this agreement, any controversy or claim arising out of or relating to this contract, or breach thereof, shall be settled by arbitration in accordance with the Rules of the American Arbitration Association, and judgment upon the award rendered by the Arbitrator(s) may be entered in any Court having jurisdiction thereof.

**XIII.**

The Partnership, the Partners, the personal representative of any deceased Partner, and all other parties bound by this agreement shall promptly execute and deliver any and all papers or instruments necessary or desirable to carry out the provisions of this agreement.

**XIV.**

Any notice provided for under this agreement shall be deemed duly given if delivered or mailed by certified or registered mail to the party entitled to receive such notice at the address of the office of the Partnership.

**XV.**

This agreement shall be construed according to the law of the State of \_\_\_\_\_.

IN WITNESS WHEREOF, the parties hereto have executed this agreement the day and year first above written.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Partnership

By: \_\_\_\_\_

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Partner

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Partner

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Partner

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