

Partnership Agreement Involving Silent Partner

Agreement made on the _____ (*date*), between _____
(*Name of Partner*) of _____

(*street address, city, county, state, zip code*), referred to herein as
Buyer, and _____ (*Name of Silent Partner*), of _____

(*street address, city, county, state, zip code*), referred to herein as *SP*.

Whereas, *Partner* and *SP* desire to form a business partnership; and

Whereas, both parties desire that *Partner* shall manage and control the business, and *SP* shall have no control over the business; and

SP shall not be identified with the business;

Now, therefore In consideration of the terms described herein and of the mutual benefits and obligations set forth in this Agreement, the parties agree as follows:

1. Business and Duration

This Agreement is for the establishment of a business partnership to be called _____ (*name of partnership*), for the purposes of (*description of purpose*) _____, and to operate for a period of _____ (*number of years*) years, commencing on _____ (*date of commencement*), and terminating on _____ (*date of termination*).

2. Principal Place of Business

The principal place of business of the Partnership shall be _____ (*street address, city, state, zip code*). The principal place of business may be relocated at any time by *Partner* on giving _____ (*number*) days' prior written notice of the change and the new location to *SP*.

3. Contributions of Parties

Partner shall contribute \$ _____ in cash and property described as (*description of property*) _____, appraised at \$ _____ in value, to the capital of the Partnership. *SP* shall contribute \$ _____ in cash and the use of office and business facilities described as follows: (*description of office and facilities*) _____.

_____. The appraised value of the office and business facilities is stipulated to be \$ _____. *Partner* shall have a _____% interest and *SP* shall have a _____% interest in the Partnership.

4. Additional Contributions

At any time a determination is made by a consensus of the parties that additional capital is required by the Partnership, either to meet current and expected obligations or to finance expanded operations, the parties shall contribute that share of the necessary amount in direct proportion to their respective interests in the Partnership.

5. Interest on Contributions

All interest earned on any capital contributions made by the parties shall be payable in its entirety to the Partnership capital account.

6. Duties of Partner

Partner shall be responsible for the complete management, control, and policies pertaining to the operation and conduct of the business, including all personnel, purchasing, sales, and contractual matters. **Partner** shall devote all of **Partner's** time to the operation and management of the Partnership business. **Partner** shall not alter the capital of the Partnership, reinvest profits, or incur indebtedness in excess of \$ _____ without the prior written consent of **SP**.

7. Duties of SP

SP shall not participate in or interfere with the operation of the Partnership in any manner. **SP's** name shall not be used in the firm name, nor shall there be any reference to **SP's** name in the certificate for doing business under a fictitious name, if such name is required. **SP** shall have the right at all reasonable times to examine the Partnership books and records.

8. Expenses

All regular or normal business expenses, such as costs of materials, supplies, and services, salaries, office and building operating expenses, advertising and promotional expenses, and sales expenses shall be paid from the Partnership from gross income. If the expenses cannot be paid for a period of _____ days, for lack of assets, additional contributions shall be made from the parties as provided in **Section 4**.

9. Salary

Partner shall receive a monthly salary of \$ _____ in payment for **Partner's** management services work within the Partnership. **SP** shall receive no salary. **Partner's** salary shall be paid from the Partnership gross income and deducted before any distribution of profits or losses shall be made.

10. Salary Draw

Each of the parties shall be entitled to draw a monthly sum from the Partnership of _____% of the share that the specific party received of the distributable profits for the preceding year. The amount so drawn will be charged against the partner's share of the current year's distributable profits, when distribution is made.

11. Profits and Losses

Within _____ (**number**) days after the close of the Partnership fiscal year, the net profits or losses shall be divided between the parties in proportion to their interests in the Partnership. The total amount distributed to each party shall be reduced by the total sum that the party received as a draw during the fiscal year. The Partnership net profit shall be calculated as follows: (**description of method calculation of net profit**) _____

12. Bank Accounts

The Partnership shall maintain a business bank account in the name of the firm at _____ (**name of bank**), located at _____ (**address of bank**).

Partner shall be authorized to sign all business checks solely and separately.

13. Books and Records

Partner shall maintain a complete and accurate set of records and books of all financial transactions of the Partnership. These books and records shall be audited annually by an independent certified public accountant, and all books and records shall be open for an inspection by **SP** at all reasonable times.

14. Accounting

Partnership's fiscal year shall commence on _____ (**date**) and terminate on _____ (**date**) each year. Within _____ (**number**) days after the close of each fiscal year an annual inventory and accounting shall be commenced. The results of the annual inventory and accounting shall be used to determine the annual net profits or losses for distribution as specified in **Section 11**. Special audits or accountings of Partnership records may be conducted at any time either party determines a necessity for such auditing.

15. Insurance

A policy of insurance on the lives of **Partner** and **SP** in the form of a cross-purchase Agreement shall be procured from _____ (**name of insurance company**). The minimum provisions of the policy shall be as set forth in **Exhibit A**, which is attached and incorporated by reference.

16. Mandatory Arbitration

Any dispute under this Agreement shall be required to be resolved by binding arbitration of the parties hereto. If the parties cannot agree on an arbitrator, each party shall select one arbitrator and both arbitrators shall select a third. The third arbitrator so selected shall arbitrate said dispute and the arbitration shall be governed by the rules of the American Arbitration Association in full and entire effect.

17. Death of Partner

Partners shall immediately authorize an accounting on the death of **SP**, and a valuation of **SP's** proportionate share shall be made. The valuation shall be determined by an appraisal of **SP's** share including **SP's** share of Partnership goodwill. **Partner** shall use the insurance proceeds provided for in **Section 14** to pay the estate of **SP**, and subsequently may continue the business. On the death of **Partner**, **SP** shall immediately proceed to dissolve the Partnership and wind up operations. The proportionate share of the Partnership owed to **Partner** shall be paid to **Partner's** estate. The surviving Partner shall apply the proceeds of any insurance policies on decedent Partner to the purchase of decedent Partner's interest.

18. Goodwill

On the death of **SP**, the value of Partnership goodwill shall be determined by calculating _____ (**number of times**) times the average net profit for the preceding _____ (**number**) years of Partnership operation. **SP** estate shall be entitled to _____% of that calculated value. Goodwill shall not enter into any other calculation of the value of the Partnership for whatever purpose.

19. Dissolution, Termination, and Winding Up

Partnership shall be dissolved either on the death of **Partner** or on the bankruptcy of the Partnership, or the Partnership shall terminate at the expiration of the Partnership term. Within _____ (**number**) days after a determination to dissolve or terminate is made, a procedure to wind up the Partnership business shall be implemented, and winding up shall be completed within a reasonable time. No distribution of profit or loss shall be made during the period of

winding up until the procedure has been completed, at which time the profits and losses shall be calculated in the final determination for distribution of Partnership assets.

20. Severability

The invalidity of any portion of this Agreement will not and shall not be deemed to affect the validity of any other provision. If any provision of this Agreement is held to be invalid, the parties agree that the remaining provisions shall be deemed to be in full force and effect as if they had been executed by both parties subsequent to the expungement of the invalid provision.

21. No Waiver

The failure of either party to this Agreement to insist upon the performance of any of the terms and conditions of this Agreement, or the waiver of any breach of any of the terms and conditions of this Agreement, shall not be construed as subsequently waiving any such terms and conditions, but the same shall continue and remain in full force and effect as if no such forbearance or waiver had occurred.

22. Governing Law

This Agreement shall be governed by, construed and interpreted in accordance with the laws of the State of _____.

23. Notices

Any notice provided for in this Agreement shall be in writing and shall be deemed sufficiently given when delivered by certified or registered mail if sent to the respective address of each party set forth at the beginning of this Agreement.

24. Entire Agreement

This Agreement shall constitute the entire agreement between the parties and any prior understandings or representations of any kind preceding the date of this Agreement shall not be binding on either party except to the extent incorporated in this Agreement.

25. Modification of Agreement

Any modification of this Agreement or additional obligation assumed by either party in connection with this Agreement shall be binding only if placed in writing and signed by each party or an authorized representative of each party.

26. Assignment of Rights

The rights of each party under this Agreement are personal to that party and may not be assigned or transferred to any other person, firm, corporation, or other entity without the prior, express, and written consent of the other party.

27. In this Agreement, any reference to a party includes that party's heirs, executors, administrators, successors and assigns, singular includes plural and masculine includes feminine.

WITNESS our signatures as of the day and date first above stated.

(Printed name)

(Printed name)

(Signature of Partner)

(Signature of Silent Partner)