

PARTNERSHIP ENTITY-PURCHASE BUYOUT AGREEMENT

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CAUTION: Counsel should carefully review all law respecting marital rights in the applicable jurisdiction, and should obtain the consent of spouses of Partners as counsel deems necessary or prudent. The federal and state tax consequences of this agreement should be carefully reviewed by a qualified tax attorney or accountant, and language drafted to produce the results desired. Finally, the funds required to comply with these provisions should be carefully calculated, and a funding source secured.

Employer-Owned Life Insurance: In arrangements where an employer will own life insurance on an employee, Notice and Consent requirements must be met to avoid having the death proceeds taxable as ordinary income. See the Notice and Consent— Employer-Owned Life Insurance under Other Documents.

PARTNERSHIP PURCHASE AGREEMENT

This agreement is made this (day) of (month), (year), by and between (name of Partner), (name of Partner), and (name of Partner), collectively referred to in this agreement as "Partners," and (name of Partnership), a partnership having its principal place of business in (locality), County of (name), State of (name), hereinafter referred to as "Partnership."

The Partners own the entire right, title, and interest in and to Partnership. Partnership interests are owned by the Partners as follows:

(name of Partner) (interest held)

(name of Partner) (interest held)

(name of Partner) (interest held)

The Partners wish to provide for security, continuity and harmony in management and ownership in the event of the death or withdrawal of any of them. The purpose of this agreement is to provide for the purchase by the Partnership of one Partner's interest in the event of his or her death, or in the event that he or she wishes to dispose of any interest during his or her lifetime, and to provide the funds necessary to carry out such sales and purchases of Partnership interests for which there is no active public market.

NOW, THEREFORE, in consideration of the premises, the mutual obligations in this agreement, and other good and valuable consideration, the receipt of which is hereby acknowledged, the Partners and the Partnership agree as follows, which agreement shall alter and amend the Partnership agreement as needed to comply with the terms and conditions herein:

ARTICLE I

Each Partner agrees that upon his or her death all of the interest in the Partnership then owned by him or her shall be sold to the Partnership under the terms and conditions set forth in this agreement, and the Partnership agrees so to buy.

ARTICLE II

Each Partner agrees that he or she shall not sell, assign, encumber, or otherwise dispose of any interest in the Partnership now owned or hereafter acquired by him or her except as specifically provided in this agreement. The Partners agree to endorse the certificates of Partnership interest held by them as follows:

"The sale or transfer of this interest is subject to an agreement between (name of Partner), (name of Partner), and (name of Partner), the Partners of the (name of Partnership), and the Partnership itself dated the (day) of (month), (year). A copy of this agreement is filed in the Partnership office."

Any Partner wishing to dispose of shares during his or her lifetime shall first offer to sell to the Partnership for the value as determined in Article III. If the offer to sell has not been accepted within____ days, then the offering Partner may dispose of his or her shares for a value lower than that provided in Article III, if he or she first offers said shares to the Partnership at such lower price. If this offer to sell is not accepted by the Partnership within____ days, then said selling Partner may dispose of shares without regard to this agreement, subject to the law of the State of (name).

ARTICLE III

The current value of each interest as determined by the Partners is \$_____. Within sixty (60) days after the end of the fiscal year, the Partners shall redetermine the value of each Partnership interest and the value shall be endorsed on Exhibit A attached to this agreement. The endorsement shall be in the following form:

"The value of each interest (name of Partnership) for fiscal year ending (year) for purposes of the partnership purchase agreement dated (month) (day), (year) shall be \$_____." [or specify differing values if Partners' interests are unequal]

If a redetermination has not been endorsed on Exhibit A for a particular fiscal year, then the last endorsed determined value shall prevail. However, in no event shall the value of the deceased Partner's interest be less than the proceeds of life insurance purchased on his or her life by the Partnership under this agreement. It is the intent of the parties that the value of a Partner's interest as determined by this agreement shall include good will.

ARTICLE IV

(Optional paragraph for use in sales between related parties.) The value stated in Article III. above has been determined with the assistance of a certified appraiser, whose credentials and report are attached to and made part of this agreement as Exhibit B. The appraiser has been instructed to establish the fair market value of the shares in an arm's-length business transaction between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell.

ARTICLE V

The Partnership has procured as owner and beneficiary life insurance on the life of each Partner in amounts as shown on Exhibit C of this agreement. All policies which are purchased in accordance with this agreement, including any policies purchased subsequent to the date of this agreement, shall be listed on Exhibit C attached to this agreement.

ARTICLE VI

The Partnership agrees to pay the planned premiums on the policies procured by the Partnership subject to this agreement as such premiums become due. In any case, if any premium is not paid within twenty (20) days after its due date, the insured shall be entitled to pay such premium as agent of the Partnership, and the Partnership agrees to reimburse him or her promptly for any such payment. The insurance company is hereby authorized and directed to give the insured, upon his or her written request, any information about the status of any policy on his or her life subject to this agreement.

ARTICLE VII

The Partnership shall retain ownership of the policies procured by it on the life of any Partner. The Partnership may not, however, exercise any of the policy rights (without first having given the insured thereunder thirty (30) days written notice of the contemplated exercise, unless the Partnership has obtained from the insured a written waiver of such notice). This agreement shall extend to and include all additional life insurance policies issued pursuant to this agreement, such additional policies to be listed in Exhibit C attached to and made a part of this agreement.

ARTICLE VIII

The Partnership shall not execute any loans against, make withdrawals from, impair or in any manner encumber such policies without the prior written consent of all Partners; however, the Partnership may exercise any dividend options or rights as provided by the policies.

ARTICLE IX

It is the intent of the Partnership that the proceeds of the life insurance policies listed in Exhibit C shall be used to purchase the deceased Partner's interest in the Partnership. In the event that the value of the deceased Partner's interest exceeds the proceeds of life insurance, the Partnership shall have the right of paying the excess either in one sum or by executing and delivering a negotiable promissory note for the balance. Said note shall be payable in installments, for a term not to exceed _____ years, the first installment being due and payable _____ months after the death of the Partner. This note shall bear interest at the rate of _____% per year on the unpaid balance. The Partnership shall have the right to prepay the note in full without penalty. The Partnership shall pledge with the legal representative of the deceased Partner all of the deceased Partner's interest as security for the payment of any note; however, the Partnership shall have the privilege of exercising all rights of ownership in such Partnership interest prior to default in payment of any installment on the note or any interest due on such note.

ARTICLE X

In the event that this agreement is terminated by some means other than the death of a Partner, each Partner shall have an option exercisable within thirty (30) days after such termination to purchase any or all policies on his or her life for a price equal to the fair market value of the policy.

ARTICLE XI

This agreement shall terminate upon the written agreement of the Partners, or the dissolution, bankruptcy or insolvency of the Partnership, or the death of the Partners simultaneously or within a period of _____ days.

ARTICLE XII

All Exhibits referred to in this agreement and attached to this agreement are incorporated in this agreement by reference.

ARTICLE XIII

This agreement shall be binding not only upon the parties to it, but also upon their heirs, executors, administrators, successors and assigns, and the parties to this agreement agree for themselves and their heirs, executors, administrators, successors and assigns to execute any instruments in writing which may be necessary or proper in fulfilling in good faith the purpose and intent of this agreement.

ARTICLE XIV

The law of the State of (name) shall govern this agreement.

ARTICLE XV

This agreement represents the final and entire agreement between the parties, and supersedes all prior or contemporaneous agreements, express or implied, written or unwritten.

ARTICLE XVI

If any part or portion of this agreement is held to be invalid or otherwise unenforceable, the remainder shall have force and effect to the full extent permitted by law.

IN WITNESS WHEREOF, the Partners and the Partnership have set their hands and seals to this agreement on the date first above written, in (locality), County of (name), State of (name).

(typed name of Partner)

(typed name of Partner)

(typed name of Partner)

(Name of Partnership)

BY: _____
(typed name of Managing Partner)

(typed name of witness)

(typed name of witness)

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