**REAL ESTATE PARTNERSHIP AGREEMENT**

**THIS PARTNERSHIP AGREEMENT** (the "Agreement") made and entered into this 3rd day of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (the "Execution Date"),  
**BETWEEN:**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, and  
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
(individually the "Partner" and collectively the "Partners").

**BACKGROUND:**

1. The Partners wish to associate themselves as partners in business.
2. This Agreement sets out the terms and conditions that govern the Partners within the Partnership.

**IN CONSIDERATION OF** and as a condition of the Partners entering into this Agreement and other valuable consideration, the receipt and sufficiency of which consideration is acknowledged, the parties to this Agreement agree as follows:

**Formation**

1. By this Agreement the Partners enter into a general partnership (the "Partnership") in accordance with the laws of the State of Arizona. The rights and obligations of the Partners will be as stated in the applicable legislation of the State of Arizona (the 'Act') except as otherwise provided in this Agreement.

**Name**

1. The firm name of the Partnership will be: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**Purpose**

1. The purpose of the Partnership will be: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**Term**

1. The Partnership will begin on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and will continue until terminated as provided in this Agreement.

**Place of Business**

1. The principal office of the business of the Partnership will be located at \_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_, Arizona, \_\_\_\_\_\_\_\_\_\_\_\_\_ or such other place as the Partners may from time to time designate.

**Capital Contributions**

1. Each of the Partners has contributed to the capital of the Partnership, in cash or property in agreed upon value, as follows (the "Capital Contribution"):

|  |  |  |
| --- | --- | --- |
| **Partner** | **Contribution Description** | **Agreed Value** |
|  |  | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ USD |
|  |  | $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ USD |

1. All Partners will contribute their respective Capital Contributions fully and on time.

**Withdrawal of Capital**

1. No Partner will withdraw any portion of their Capital Contribution without the express written consent of the remaining Partners.

**Additional Capital**

1. Capital Contributions may be amended from time to time, according to the requirements of the Partnership provided that the interests of the Partners are not affected, except with the unanimous consent of the Partners. No Partner will be required to make Additional Capital Contributions. Whenever additional capital is determined to be required and an individual Partner is unwilling or unable to meet the additional contribution requirement within a reasonable period, as required by Partnership business obligations, remaining Partners may contribute in proportion to their existing Capital Contributions to resolve the amount in default. In such case the allocation of profits or losses among all the Partners will be adjusted to reflect the aggregate change in Capital Contributions by the Partners.
2. Any advance of money to the Partnership by any Partner in excess of the amounts provided for in this Agreement or subsequently agreed to as Additional Capital Contribution will be deemed a debt owed by the Partnership and not an increase in Capital Contribution of the Partner. This liability will be repaid with interest at rates and times to be determined by a majority of the Partners within the limits of what is required or permitted in the Act. This liability will not entitle the lending Partner to any increased share of the Partnership's profits nor to a greater voting power. Such debts may have preference or priority over any other payments to Partners as may be determined by a majority of the Partners.

**Capital Accounts**

1. An individual capital account (the "Capital Accounts") will be maintained for each Partner and their Initial Capital Contribution will be credited to this account. Any Additional Capital Contributions made by any Partner will be credited to that Partner's individual Capital Account.

**Interest on Capital**

1. No borrowing charge or loan interest will be due or payable to any Partner on their agreed Capital Contribution inclusive of any agreed Additional Capital Contributions.

**Financial Decisions**

1. Decisions regarding the distribution of profits, allocation of losses, and the requirement for Additional Capital Contributions as well as all other financial matters will be decided by a unanimous vote of the Partners.

**Profit and Loss**

1. Subject to any other provisions of this Agreement, the net profits and losses of the Partnership, for both accounting and tax purposes, will accrue to and be borne by the Partners in equal proportions (the "Profit and Loss Distribution").

**Compensation for Services Rendered**

1. Partners may be compensated for services actually rendered as from time to time may be agreed by unanimous consent of the Partners.

**Books of Account**

1. Accurate and complete books of account of the transactions of the Partnership will be kept in accordance with generally accepted accounting principles (GAAP) and at all reasonable times will be available and open to inspection and examination by any Partner. The books and records of the Partnership will reflect all the Partnership’s transactions and will be appropriate and adequate for the business conducted by the Partnership.

**Annual Report**

1. As soon as practicable after the close of each fiscal year, the Partnership will furnish to each Partner an annual report showing a full and complete account of the condition of the Partnership. This report will consist of at least the following documents:
   1. a statement of all information as will be necessary for the preparation of each Partner's income or other tax returns;
   2. a copy of the Partnership's federal income tax returns for that fiscal year;
   3. a breakdown of the profit and loss attributable to each Partner; and
   4. any additional information that the Partners may require.

**Banking and Partnership Funds**

1. The funds of the Partnership will be placed in such investments and banking accounts as will be designated by the Partners. Partnership funds will be held in the name of the Partnership and will not be commingled with those of any other person or entity.

**Fiscal Year**

1. The fiscal year will end on the 1st day of January of each year.

**Audit**

1. Any of the Partners will have the right to request an audit of the Partnership books. The cost of the audit will be borne by the Partnership. The audit will be performed by an accounting firm acceptable to all the Partners. Not more than one (1) audit will be required by any or all of the Partners for any fiscal year.

**Management**

1. All the Partners will be consulted and the advice and opinions of the Partners will be obtained as much as is practicable. However, the Managing Partner will have management and control of the day-to-day business of the Partnership for the purposes stated in this Agreement. All matters outside the day-to-day business of the Partnership will be decided by a Unanimous vote of the Partners.
2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ will be the Managing Partner. The term "Managing Partner" will also include any party subsequently appointed to that role.
3. In addition to day-to-day management tasks, the Managing Partner's duties will include keeping, or causing to be kept, full and accurate business records for the Partnership according to generally accepted accounting principles (GAAP) and overseeing the preparation of any reports considered reasonably necessary to keep the Partners informed of the business performance of the Partnership.
4. A Managing Partner can voluntarily withdraw from the position of Managing Partner or can be replaced by a Unanimous vote of remaining Partners. In the event of a withdrawal or removal of the Managing Partner from the position of Managing Partner or from the Partnership, the remaining Partners will have equal rights in the management of the Partnership until they appoint a successor Managing Partner.
5. The Managing Partner will not be liable to the remaining Partners for any action or failure to act resulting in loss or harm to the Partnership except in the case of gross negligence or willful misconduct.

**Contract Binding Authority**

1. Each Partner will have authority to bind the Partnership in contract.

**Partnership Representative**

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ will be the Partnership Representative (“the Partnership Representative”) with the sole authority to act on behalf of the Partnership in relation to IRS tax audits pursuant to Chapter 63 Subchapter C of the Internal Revenue Code of 1986 ("the Tax Rules").
2. The Partnership Representative is appointed for the current tax year and subsequent tax years until otherwise designated by the Partners.
3. The Partners will indemnify the Partnership Representative from and against all claims, actions, suits, demands, damages, obligations, losses, settlements, judgments, costs and expenses brought by the Partners or any of them in relation to any acts or omissions in the conduct of the role of Partnership Representative provided that the Partnership Representative is a Partner, except to the extent that such losses result from, in whole or in part, the negligence, wilful misconduct or unlawful action of the Partnership Representative.
4. The Partnership Representative will promptly advise the Partners of any audit of the Partnership initiated by the IRS and provide regular updates to the Partners on the progress of such audits and any resulting settlement negotiations. The Partnership Representative will be generally accountable to the Partners and will obtain the majority approval of the Partners for (i) any decisions affecting the tax liability of the Partnership or the Partners; and (ii) any decision finalizing tax settlement with the IRS.
5. The Partnership Representative may resign from the position by serving notice in writing on both the Partnership and the IRS. The Partnership, acting by majority vote, may revoke the designation of the Partnership Representative by serving notice on the Partnership Representative and the IRS and simultaneously appointing a new Partnership Representative for that taxable year.
6. Whether serving in an active capacity or not, any person who has served as Partnership Representative in respect of any given taxable year or portion thereof will remain accountable to the Partnership, throughout the period of limitation relating to that taxable year, in respect of any notification received from the IRS and will promptly advise the Partnership of any and all such correspondence.
7. In the event that a tax settlement reached between the IRS and the Partnership Representative is not satisfactory to one or more of the Partners and the matter cannot be resolved through negotiation in good faith at a meeting of the Partners, then, two weeks, or such longer period as the partners may agree, following such meeting the Partners agree to submit the dispute to mediation.

**Tax Elections**

1. In the event of an imputed underpayment by the Partnership assessed at audit, the Partnership Representative will elect the application of Section 6226 of Subchapter C (Alternative to Payment of Imputed Underpayment by Partnership) and duly furnish to each Partner, and to the Secretary of the Treasury or his delegate, a statement of that Partner’s share of any adjustments within 45 days of the notice of final Partnership adjustment.

**Meetings**

1. Regular meetings of the Partners will be held Annually.
2. All meetings will be held at a time and in a location that is reasonable, convenient and practical considering the situation of all Partners.

**Admitting a New Partner**

1. A new Partner may only be admitted to the Partnership with a majority vote of the existing Partners, except in the case of a prospective partner, the admission of which would render the Partnership ineligible to elect out of the application of the Tax Rules, in which case a unanimous vote of the existing Partners will be required to admit that Partner.
2. Any new Partner agrees to be bound by all the covenants, terms, and conditions of this Agreement, inclusive of all current and future amendments. Further, a new Partner will execute such documents as are needed to effect the admission of the new Partner. Any new Partner will receive such business interest in the Partnership as determined by a unanimous decision of the other Partners.

**Voluntary Withdrawal of a Partner**

1. Any Partner will have the right to voluntarily withdraw from the Partnership at any time. Written notice of intention to withdraw must be served upon the remaining Partners at least Three Months prior to the withdrawal date.
2. The voluntary withdrawal of a Partner will result in the dissolution of the Partnership.
3. A Dissociated Partner will only exercise the right to withdraw in good faith and will act to minimize any present or future harm done to the remaining Partners as a result of the withdrawal.

**Involuntary Withdrawal of a Partner**

1. Events resulting in the involuntary withdrawal of a Partner from the Partnership will include but not be limited to: death of a Partner; Partner mental incapacity; Partner disability preventing reasonable participation in the Partnership; Partner incompetence; breach of fiduciary duties by a Partner; criminal conviction of a Partner; Expulsion of a Partner; Operation of Law against a Partner; or any act or omission of a Partner that can reasonably be expected to bring the business or societal reputation of the Partnership into disrepute.
2. The involuntary withdrawal of a Partner will result in the dissolution of the Partnership.
3. A trustee in bankruptcy or similar third party who may acquire that Dissociated Partner's interest in the Partnership will only acquire that Partner's economic rights and interests and will not acquire any other rights of that Partner or be admitted as a Partner of the Partnership or have the right to exercise any management or voting interests.

**Dissociation of a Partner**

1. Where the dissociation of a Partner for any reason results in the dissolution of the Partnership then the Partnership will proceed in a reasonable and timely manner to dissolve the Partnership, with all debts being paid first, prior to any distribution of the remaining funds. Valuation and distribution will be determined as described in the Valuation of Interest section of this Agreement.
2. The remaining Partners retain the right to seek damages from a Dissociated Partner where the dissociation resulted from a malicious or criminal act by the Dissociated Partner or where the Dissociated Partner had breached their fiduciary duty to the Partnership or was in breach of this Agreement or had acted in a way that could reasonably be foreseen to bring harm or damage to the Partnership or to the reputation of the Partnership.

**Dissolution**

1. Except as otherwise provided in this Agreement, the Partnership may be dissolved only with the unanimous consent of all Partners.

**Distribution of Property on Dissolution of Partnership**

1. In the event of the dissolution of the Partnership, each Partner will share equally (the "Dissolution Distribution") in any remaining assets or liabilities of the Partnership.
2. Upon Dissolution of the Partnership and liquidation of Partnership Property, and after payment of all selling costs and expenses, the liquidator will distribute the Partnership assets to the following groups according to the following order of priority:
   1. in satisfaction of liabilities to creditors except Partnership obligations to current Partners;
   2. in satisfaction of Partnership debt obligations to current Partners; and then
3. The claims of each priority group will be satisfied in full before satisfying any claims of a lower priority group. Any excess of Partnership assets after liabilities or any insufficiency in Partnership assets in resolving liabilities under this section will be shared by the Partners according to the Dissolution Distribution described above.

**Valuation of Interest**

1. In the absence of a written agreement setting a value, the value of the Partnership will be based on the fair market value appraisal of all Partnership assets (less liabilities) determined in accordance with generally accepted accounting principles (GAAP). This appraisal will be conducted by an independent accounting firm agreed to by all Partners. An appraiser will be appointed within a reasonable period of the date of withdrawal or dissolution. The results of the appraisal will be binding on all Partners. A withdrawing Partner's interest will be based on that Partner's proportion of the Dissolution Distribution described above, less any outstanding liabilities the withdrawing Partner may have to the Partnership. The intent of this section is to ensure the survival of the Partnership despite the withdrawal of any individual Partner.
2. No allowance will be made for goodwill, trade name, patents or other intangible assets, except where those assets have been reflected on the Partnership books immediately prior to valuation.

**Goodwill**

1. The goodwill of the Partnership business will be assessed at an amount to be determined by appraisal using generally accepted accounting principles (GAAP).

**Title to Partnership Property**

1. Title to all Partnership Property will remain in the name of the Partnership. No Partner or group of Partners will have any ownership interest in such Partnership Property in whole or in part.

**Voting**

1. In any vote required by the Partnership, the vote cast by the each Partner will be in proportion to Capital Contributions.

**Force Majeure**

1. A Partner will be free of liability to the Partnership where the Partner is prevented from executing their obligations under this Agreement in whole or in part due to force majeure, such as earthquake, typhoon, flood, fire, and war or any other unforeseen and uncontrollable event where the Partner has communicated the circumstance of said event to any and all other Partners and taken any and all appropriate action to mitigate said event.

**Duty of Loyalty**

1. No Partner will engage in any business, venture or transaction, whether directly or indirectly, that might be competitive with the business of the Partnership or that would be in direct conflict of interest to the Partnership without the unanimous written consent of the remaining Partners. Any and all businesses, ventures or transactions with any appearance of conflict of interest must be fully disclosed to all other Partners. Failure to comply with any of the terms of this clause will be deemed an Involuntary Withdrawal of the offending Partner and may be treated accordingly by the remaining Partners.

**Duty of Accountability for Private Profits**

1. Each Partner must account to the Partnership for any benefit derived by that Partner without the consent of the other Partners from any transaction concerning the Partnership or any use by that Partner of the Partnership property, name or business connection. This duty continues to apply to any transactions undertaken after the Partnership has been dissolved but before the affairs of the Partnership have been completely wound up by the surviving Partner or Partners or their agent or agents.

**Duty to Devote Time**

1. Each Partner will devote such time and attention to the business of the Partnership as the majority of the Partners will from time to time reasonably determine for the conduct of the Partnership business.

**Forbidden Acts**

1. No Partner may do any act in contravention of this Agreement.
2. No Partner may permit, intentionally or unintentionally, the assignment of express, implied or apparent authority to a third party that is not a Partner in the Partnership.
3. No Partner may do any act that would make it impossible to carry on the ordinary business of the Partnership.
4. No Partner may confess a judgment against the Partnership.
5. No Partner will have the right or authority to bind or obligate the Partnership to any extent with regard to any matter outside the intended purpose of the Partnership.
6. Any violation of the above Forbidden Acts will be deemed an Involuntary Withdrawal of the offending Partner and may be treated accordingly by the remaining Partners.

**Indemnification**

1. All Partners will be indemnified and held harmless by the Partnership from and against any and all claims of any nature, whatsoever, arising out of a Partner's participation in Partnership affairs. A Partner will not be entitled to indemnification under this section for liability arising out of gross negligence or willful misconduct of the Partner or the breach by the Partner of any provisions of this Agreement.

**Liability**

1. A Partner will not be liable to the Partnership, or to any other Partner, for any mistake or error in judgment or for any act or omission done in good faith and believed to be within the scope of authority conferred or implied by this Agreement or the Partnership.

**Liability Insurance**

1. The Partnership may acquire insurance on behalf of any Partner, employee, agent or other person engaged in the business interest of the Partnership against any liability asserted against them or incurred by them while acting in good faith on behalf of the Partnership.

**Life Insurance**

1. The Partnership will have the right to acquire life insurance on the lives of any or all of the Partners, whenever it is deemed necessary by the Partnership. Each Partner will cooperate fully with the Partnership in obtaining any such policies of life insurance.

**Amendments**

1. This Agreement may not be amended in whole or in part without the unanimous written consent of all Partners.

**Jurisdiction**

1. The Partners submit to the jurisdiction of the courts of the State of Arizona for the enforcement of this Agreement or any arbitration award or decision arising from this Agreement.

**Definitions**

1. For the purpose of this Agreement, the following terms are defined as follows:
   1. "Additional Capital Contributions" means Capital Contributions, other than Initial Capital Contributions, made by Partners to the Partnership.
   2. "Capital Contribution" means the total amount of cash or Property contributed to the Partnership by any one Partner.
   3. "Dissociated Partner" means any Partner who is removed from the Partnership through a voluntary or involuntary withdrawal as provided in this Agreement.
   4. "Expulsion of a Partner" can occur on application by the Partnership or another Partner, where it has been determined that the Partner:
      1. Has engaged in wrongful conduct that adversely and materially affected the Partnership's business;
      2. Has willfully or persistently committed a material breach of this Agreement or of a duty owed to the Partnership or to the other Partners; or
      3. Has engaged in conduct relating to the Partnership's business that makes it not reasonably practicable to carry on the business with the Partner.
   5. "Initial Capital Contribution" means Capital Contributions made by any Partner to acquire an interest in the Partnership.
   6. "Operation of Law" means rights or duties that are cast upon a party by the law, without any act or agreement on the part of the individual including, but not limited to, an assignment for the benefit of creditors, a divorce, or a bankruptcy.

**Additional Clause**

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
   \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
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**Miscellaneous**

1. Time is of the essence in this Agreement.
2. This Agreement may be executed in counterpart.
3. Headings are inserted for the convenience of the parties only and are not to be considered when interpreting this Agreement. Words in the singular mean and include the plural and vice versa. Words in the masculine gender include the feminine gender and vice versa. Words in the neuter gender include the masculine gender and the feminine gender and vice versa.
4. If any term, covenant, condition or provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, it is the parties' intent that such provision be reduced in scope by the court only to the extent deemed necessary by that court to render the provision reasonable and enforceable and the remainder of the provisions of this Agreement will in no way be affected, impaired or invalidated as a result.
5. This Agreement contains the entire agreement between the parties. All negotiations and understandings have been included in this Agreement. Statements or representations which may have been made by any party to this Agreement in the negotiation stages of this Agreement may in some way be inconsistent with this final written Agreement. All such statements are declared to be of no value in this Agreement. Only the written terms of this Agreement will bind the parties.
6. This Agreement and the terms and conditions contained in this Agreement apply to and are binding upon the Partner's successors, assigns, executors, administrators, beneficiaries, and representatives.
7. Any notices or delivery required here will be deemed completed when hand-delivered, delivered by agent, or seven (7) days after being placed in the post, postage prepaid, to the parties at the addresses contained in this Agreement or as the parties may later designate in writing.
8. All of the rights, remedies and benefits provided by this Agreement will be cumulative and will not be exclusive of any other such rights, remedies and benefits allowed by law.
9. **IN WITNESS WHEREOF** the Partners have duly affixed their signatures under hand and seal on this 3rd day of \_\_\_\_\_\_\_\_\_\_\_\_\_ .

|  |  |  |
| --- | --- | --- |
| **SIGNED, SEALED, AND DELIVERED** |  |  |
|  |  |  |
| in the presence of: |  |  |

|  |  |  |
| --- | --- | --- |
|  |  |  |
| Witness(Sign):\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |  | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Witness Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |  | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_(Partner) |

|  |  |  |
| --- | --- | --- |
|  |  |  |
| Witness(Sign):\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |  | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Witness Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |  | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (Partner) |