

Skeleton Partnership Agreement

Agreement made this [ordinal number of day] day of [name of month] [identification of year], between [name of partner 1], [name of partner 2] and [name of partner 3] (individually, a “Partner,” and collectively, the “Partners”), all of [name of city], New York.

- 1. Name.** The name of the partnership shall be [name of partnership] (the “Partnership”).
- 2. Place of Business.** The principal place of business of the Partnership shall be at [address of principal place of business].
- 3. Nature of Business.** The Partnership shall engage in the business of [type of business] and in such other business of a similar nature, or related thereto, as shall be agreed upon by the Partners.
- 4. Duration.** The Partnership shall commence on [start date of partnership], and shall continue until terminated as herein provided.
- 5. Capital.** The initial capital of the Partnership shall be \$[dollar amount of initial capital]. Each Partner agrees to contribute cash or property at agreed valuation as follows:

Name of Partner	Amount of Initial Contribution	Percent of Initial Contribution
[Name 1]	[\$dollar amount 1]	[percentage 1]%
[Name 2]	[\$dollar amount 2]	[percentage 2]%
[Name 3]	[\$dollar amount 3]	[percentage 3]%

6. Contribution of Additional Capital. The Partners shall contribute in equal shares any additional capital that they all may deem to be necessary to the operation of the Partnership business.

7. Allocation of Depreciation or Gain or Loss on Contributed Property. The Partners understand that for income tax purposes, the Partnership’s adjusted basis of some of the contributed property differs from the fair market value at which such property was accepted by the Partnership at the time of its contribution. Nevertheless, the Partners intend that the general allocation rule set forth in I.R.C. § 704(c)(1), as amended, shall apply, and that the depreciation or gain or loss arising with respect to such property shall be allocated equally among the Partners, in determining the taxable income or loss of the Partnership and the distributive share of each Partner, in the same manner as if such property had been purchased by the Partnership at a cost equal to such adjusted tax basis.

8. Capital Accounts. An individual capital account shall be maintained for each Partner. The capital of each Partner shall consist of his or her original contribution of capital, increased by (a) additional capital contributions, and (b) any credit balances transferred from his or her drawing account to his or her capital account, and decreased by (a) distributions in reduction of Partnership capital, and (b) his or her share of Partnership losses, if charged to the capital accounts of the Partners.

9. Drawing Accounts. An individual drawing account shall be maintained for each Partner. All withdrawals by a Partner

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shall be charged to his or her drawing account. Withdrawals during the year shall be limited to such amounts as the Partners, by a majority vote, shall determine from time to time. Each Partner's share of any Partnership net loss shall be charged to his or her drawing account, unless the Partners, by a majority vote, agree to charge such loss to the capital accounts of the Partners. Each Partner's share of Partnership profits shall be credited to his or her drawing account. The Partners may determine by a majority vote to transfer to Partnership capital all or any portion of the credit balances in the respective drawing accounts of the Partners, provided that the amounts thus transferred shall be in the proportions of the Partners' interests in profits or losses of the Partnership.

10. **Salaries.** No Partner shall receive any salary for services rendered to the Partnership.

11. **Loans by Partners.** If any Partner shall, with the written consent of the other Partners, advance any moneys to the Partnership in excess of the capital contributed as set forth above, the amount of the moneys so advanced shall be considered as a loan to the Partnership and shall bear interest at the rate of *[percentage rate of interest]*% until repaid.

12. **Profits and Losses.** The net profits of the Partnership shall be divided equally among the Partners and the net losses shall be borne equally by them.

13. **Management.** The Partners shall have equal rights in the management of the Partnership business. For purposes of this Agreement, a "majority vote" shall mean a majority in name of the total number of Partners.

14. **Duties.** Each Partner shall devote his or her entire business time to the conduct of the business of the Partnership.

15. **Limitations on Partners' Powers.** No Partner shall, without the consent of the other Partners:

- (a) Borrow money in the Partnership name for Partnership purposes or utilize collateral owned by the partnership as security for such loans;
- (b) Assign, transfer, pledge, compromise or release any of the claims of or debts due the Partnership except upon payment in full, or arbitrate or consent to the arbitration of any of the disputes or controversies of the Partnership;
- (c) Make, execute or deliver any assignment for the benefit of creditors or any bond, confession of judgment, chattel mortgage, deed, guarantee, indemnity bond, surety bond, or contract to sell or contract of sale of all or substantially all the property of the Partnership;
- (d) Lease or mortgage any Partnership real estate or any interest therein or enter into any contract for any such purpose;
- (e) Pledge or hypothecate or in any manner transfer his or her interest in the Partnership, except to the other party to this agreement; and
- (f) Become a surety, guarantor, or accommodation party to any obligation.

16. **Books of Account.** The Partnership shall maintain adequate accounting records. All books, records and accounts of the Partnership shall be open at all times to inspection by all Partners.

17. **Accounting Basis.** The books of account shall be kept on a cash basis.

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18. **Fiscal Year.** The books of account shall be kept on a fiscal year basis commencing [*start date of fiscal year*] and ending [*end date of fiscal year*], and shall be closed and balanced at the end of each fiscal year.

19. **Annual Audit.** The books of account shall be audited as of the close of each fiscal year by a certified public accountant chosen by the Partners.

20. **Banking.** All funds of the Partnership shall be deposited in its name in such checking account or accounts as shall be designated by the Partners. Checks shall be drawn on the Partnership bank account for Partnership purposes only and shall be signed by any two Partners.

21. **Admission of Partners.** The admission of a person as a new Partner shall be by a majority vote of the Partners.

22. **Retirement.** Any Partner may retire from the Partnership upon 60 days' prior notice to the other Partners.

23. **Death or Disability.** The death or disability of a Partner shall work an immediate dissolution of the Partnership.

24. **Election of Remaining Partners to Continue Business.** In the event of the retirement, death or disability of a Partner, the remaining Partners shall have the right to continue the business of the Partnership under its present name, either by themselves or in conjunction with any other person or persons they may select, but they shall pay to the retiring Partners, or to the legal representatives of the deceased or disabled Partner, as the case may be, the value of his or her interest in the Partnership, as provided in the following paragraph.

25. **Valuation of Partner's Interest.** The value of the interest of a retiring, deceased or disabled Partner shall be the sum of (a) his or her capital account, (b) any unpaid loans due him, (c) his or her proportionate share of accrued net profits remaining undistributed in his or her drawing account, and (d) his or her interest in any prior agreed appreciation in the value of the Partnership property over its book value. No value for goodwill shall be included in determining the value of the Partner's interest.

26. **Payment of Purchase Price.** The value of the Partner's interest as determined in the above paragraph shall be paid without interest to the retiring Partner, or to the legal representatives of the deceased or disabled Partner, as the case may be, in [*number of installments*] monthly installments, commencing on the first day of the second month after the effective date of the purchase.

27. **Termination.** In the event the remaining Partners do not elect to purchase the interest of the retiring, deceased or disabled Partner, or in the event the Partners mutually agree to dissolve the Partnership, the Partnership shall terminate and the Partners shall proceed with reasonable promptness to liquidate the business of the Partnership. The assets of the Partnership shall first be used to pay or provide for all debts of the Partnership, including any loans due to a Partner. Thereafter, all moneys remaining undistributed in the drawing accounts of the Partners shall be paid to the Partners respectively entitled thereto. Then the remaining assets shall be divided according to the proportionate interests of the Partners on the basis of their respective capital accounts as they stood upon the date of such termination after crediting or debiting thereto the net profit or loss accrued or incurred, as the case may be, from the date of the last accounting to the date of termination.

28. **Notices.** All notices provided for under this Agreement shall be in writing and sufficient if delivered personally or sent by registered mail to the last-known address on the Partnership records of the party to whom such notice is to be given.

29. **Arbitration.** Any controversy or claim arising out of or relating to this contract or the breach thereof shall be settled by

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arbitration in accordance with the rules of the American Arbitration Association and judgment upon the award rendered may be entered in any court having jurisdiction thereof.

In Witness Whereof, the Partners have executed this Agreement on the date above-written.

[Name of partner 1]

[Name of partner 2]

[Name of partner 3]

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