

# Sample Partnership Agreement

THIS PARTNERSHIP AGREEMENT is made this \_\_\_\_\_ day of \_\_\_\_\_ 2XXX , by and between Partner 1 and Partner 2.

## **Explanatory Statement**

The parties hereto desire to enter into the business of purchasing, acquiring, operating, leasing, owning and selling Grape acreage and other specialty crop(s), including but not limited to that certain parcel of land, and all improvements constructed thereon, described as [specify address] and engaging in any other lawful phase or aspect of viticulture or specialty crop agriculture. In order to accomplish their aforesaid desires, the parties hereto desire to join together in a general partnership under and pursuant to the Uniform Partnership Act, amended from time to time (the "Act").

NOW THEREFORE, in consideration of their mutual promises, covenants, and agreements, and the Explanatory Statement, which Explanatory Statement is incorporated by reference herein and made a substantive part of this Partnership Agreement, the parties hereto do hereby promise, covenant and agree as follows:

## **Section 2. Principal Place of Business**

The principal office and place of business of the Partnership (the "Office") shall be located at Angell Road.

## **Section 3. Business and Purpose**

**3.1.** The business and purposes of the Partnership are to manage, and operate, grape vineyards. (the "Vineyards"), or interest therein, including but not limited to that certain parcel of land and such other businesses and purposes as the Partners may from time to time determine in accordance with Section 8 of this Agreement.

## **Section 4. Term**

The Partnership shall commence upon the date of this Agreement, as set forth above. Unless sooner terminated pursuant to the further provisions of this Agreement, the Partnership shall continue without defined term.

## **Section 5. Capital Contribution**

**5.1.** The original capital contributions to the Partnership of each of the Partners shall be

made concurrently with their respective execution, acknowledgement, sealing and delivery of this Agreement in the following dollar amounts set forth after their respective names:

Partner 1: Capital contribution includes his existing grape acreage as of January 1, 2010. Grape acreage is estimated, with a 5% margin of error, at 190 acres valued at approximately 775,000. An additional cash capital contribution of \$180,000 will also be made. Capital contribution does not include any equipment, buildings, or open land.

Partner 2: Capital contribution is \$180,000 to be financed by Partner 1 or another lender.

**5.2.** Except as specifically provided in this Agreement, or as otherwise provided by and in accordance with law to the extent such law is not inconsistent with this Agreement, no Partner shall have the right to withdraw or reduce his or her contributions to the capital of the Partnership.

## **Section 6. Profit and Loss**

**6.1.** The percentages of Partnership Rights and Partnership Interest of each of the Partners shall be as follows:

Partner 1:	84%
Partner 2:	16%

**6.2.** Except as provided in Section 7.3. of this Agreement, for purposes of Sections 702 and 704 of the Internal Revenue Code of 1954, or the corresponding provisions of any future federal internal revenue law, or any similar tax law of any state or jurisdiction, the determination of each Partner's distributive share of all items of income, gain, loss, deduction, credit or allowance of the Partnership for any period or year shall be made in accordance with, and in proportion to, such Partner's percentage of Partnership Interest as it may then exist.

## **Section 7. Distribution of Profits**

**7.1.** Generally, gross cash distribution in proportion to Partners percentages of partnership interest, will be made based on the scheduled payments of processors or within 60 days of payments being made. The gross cash distribution

**7.2** Generally, operating expenses will be shared at the time those expenses are realized in proportion to Partners percentages of partnership interest. While each purchase will not require an accounting of partnership interest, reimbursement to the

payor, based on share, will be resolved every 30 days.

**7.3** Exception to section 7.2: Partner 2 will not be responsible for any operating expenses for the first \_\_\_ year. His share of expenses during that time will be limited to his capital contribution payments.

## **Section 8. Management of the Partnership Business**

**8.1.** All decisions respecting the management, operation and control of the Partnership business and determination made in accordance with the provisions of this Agreement shall be made based upon a majority share of the partnership in favor of the decision. Majority owner Partner 1 has the full intention of increasing the responsibility and stake of Partner 2's management, operation and control of the Partnership. Succession of such powers will take place, at first on a day to day basis. Later, based on performance, a management agreement will be incorporated into this Partnership

**8.2.** Nothing herein contained shall be construed to constitute any Partner or the agent of another Partner, except as expressly provided herein, or in any manner to limit the Partnership to the carrying on of their own respective businesses or activities. Any of the Partners, or any agent, servant or employee of any of the Partners, may engage in and possess any interest in other businesses or ventures of every nature and description, independently or with other persons, whether or not, directly or indirectly, in competition with the business or purpose of the Partnership, and neither the Partnership nor any of the Partners shall have any rights, by virtue of this Agreement or otherwise, in and to such independent ventures or the income or profits derived therefrom, or any rights, duties or obligations in respect thereof.

**8.3.** The Partners shall devote to the conduct of the Partnership business so much of their respective time as may be reasonably necessary for the efficient operation of the Partnership business. That will include a significant amount of time during harvest in order to secure the use of Partner 1's custom harvest equipment and other equipment owned by Partner 1 for Partnership use during the growing season. At this time both partners expect to contribute approximately 2,500 hours annually. To the extent that partners cannot devote adequate time to the business due to health, outside ventures, jobs or other reasons said partner will be responsible for finding replacement labor and covering the costs of said labor.

## **Section 9. Salaries**

Unless otherwise agreed by the Partners in accordance with Section 8 of this Agreement, no Partner shall receive any salary for services rendered to or for the Partnership. At the discretion of majority partner the minority partner will be eligible to

receive up to 1% of the total equity interest in the operation per year based on performance of the Partner and the Partnership. It is the intent of the majority partner to begin making this transfer after \_\_\_ years.

### **Section 10. Legal Title to Partnership Property**

Legal title to the property of the Partnership shall be held in the name of or in such other name or manner as the Partners shall determine to be in the best interest of the Partnership. Without limiting the foregoing grant of authority, the Partners may arrange to have title taken and held in their own names or in the names of trustees, nominees or straw parties for the Partnership. It is expressly understood and agreed that the manner of holding title to property (or any part thereof) of the Partnership is solely for the convenience of the Partnership, and that all such property shall be treated as Partnership property subject to the terms of this Agreement.

### **Section 12. Fiscal Year Audits**

This partnership is the expansion of a small business built in family and trust. Records will be imperfect but maintained to current standards of the business. Audits would be impractical and expensive and rather than relying on outside auditors the partners will rely on themselves to fairly apportion expenses and profits.

### **Section 11. Banking**

All revenue of the Partnership shall be deposited regularly in the Partners private savings and checking accounts at such bank or banks as shall be selected by the Partners. The partners will not borrow any money by or on behalf of, the Partnership.

### **Section 13. Transfer of Partnership Interest and Partnership Rights**

Except as otherwise provided in Sections 14, 15 and 16 hereof, no Partner (hereinafter referred to as the "Offering Partner") shall, during the term of the Partnership, sell, hypothecate, pledge, assign or otherwise transfer with or without consideration (hereinafter collectively referred to as a "Transfer") any part or all of his Partnership Interest or Partnership Rights in the Partnership to any other person (a "Transferee"), without first offering (hereinafter referred to as the "Offer") that portion of his Partnership Interest and Partnership Rights in the Partnership subject to the contemplated transfer (hereinafter referred to as the "Offered Interest") first to the Partnership, and secondly, to the other Partners, at a purchase price (hereinafter referred to as the "Transfer Purchase Price") and in a manner as follows:

**13.1.** The Transfer Purchase Price shall be 93% of the Appraised Value (as defined in Section 18.1.) except that start up assistance shall be deducted from the appraised

value until 2025. Start up assistance is valued at \$45,000

**13.1.1.** The Offer shall be made by the Offering Partner first to the Partnership by written notice (hereinafter referred to as the "Offering Notice"). Within twenty (20) days (hereinafter referred to as the "Partnership Notice"), whether or not the Partnership shall accept the Offer and shall purchase all but not less than all of the Offered Interest. If the Partnership accepts the Offer to purchase the Offered Interest, the Partnership Notice shall fix a closing date not more than sixty (60) days (hereinafter referred to as the "Partnership Closing Date") after the expiration of the Partnership Offer Period.

**13.1.2.** In the event the Partnership decides not to accept the Offer, the Offering Partner or the Partnership, at his or its election, shall, by written notice (hereinafter referred to as the "Remaining Partner Notice") given within that period (hereinafter referred to as the "Partner Offer Period") terminating ten (10) days after the expiration of the Partnership Offer Period, make the Offer of the Offered Interest to the other Partners, each of whom shall then have a period of twenty-five (25) days (the "Partner Acceptance Period") after the expiration of the Partner Offer Period within which to notify in writing the Offering Partner whether or not he intends to purchase all but not less than all of the Offered Interest. If two (2) or more Partners of the Partnership desire to accept the Offer to purchase the Offered Interest, then, in the absence of an agreement between them, such Partners shall have the right to purchase the Offered Interest in the proportion which their respective percentage of Partnership Interest in the Partnership bears to the percentage of Partnership Interest of all of the Partners who desire to accept the Offer. If the other Partners intend to accept the Offer and purchase the Offered Interest, the written notice required to be given by them shall fix a closing date not more than sixty (60) days after the expiration of the Partner Acceptance Period (hereinafter referred to as the "Partner Closing Date").

**13.2.** The aggregate dollar amount of the Transfer Purchase Price shall be payable in cash on the Partnership closing date or on the Partner Closing date, as the case may be, unless the Partnership or the purchasing Partners shall elect prior to or on the Partnership Closing Date or the Partner Closing Date, as the case may be, to purchase such Offered Interest in installments pursuant to the provisions of Section 19.

**13.3.** If the Partnership or the other Partners fail to accept the Offer or, if the Offer is accepted by the Partnership or the other Partners and the Partnership or the other Partners fail to purchase all of the Offered Interest at the Transfer Purchase Price within the time and in the manner specified in this Section 13, then the Offering Partner shall be free, for a period (hereinafter referred to as the "Free Transfer Period") of ninety (90) days from the occurrence of such failure, to transfer the Offered Interest shall be liquidated based on the following method. To transfer interest to a third party the

Partners will agree on which parcel or parcels of grape acreage should be liquidated. To the extent possible the liquidation will be limited to whole parcels totaling the offered interest. Either partner has the right to reject liquidation of a partial parcel. Partner 1 has the right to reject the liquidation of Angell Road.

**13.4.** No transfer made pursuant to this Section 13 shall dissolve or terminate the Partnership or cause the Partnership to be wound-up, but instead, the business of the Partnership shall be continued as if such Transfer had not occurred.

### **Buy Sell Agreement**

The parties agree to enter into a buy/sell agreement to effect purchase of the deceased partner's share upon such partner's death, to be funded by life insurance policies.

### **Section 15. Purchase Upon Bankruptcy or Retirement.**

**15.1.** Upon the Bankruptcy or Retirement from the Partnership of any Partner (the "Withdrawing Partner"), the Partnership shall neither be terminated nor wound-up, but, instead, the business of the Partnership shall be continued as if such Bankruptcy or Retirement, as the case may be, had not occurred, and the Partnership shall purchase and the Withdrawing Partner shall sell all of the Partnership Interest and Partnership Rights (the "Withdrawing Partner's Interest") owned by the Withdrawing Partner in the Partnership on the date of such Bankruptcy or retirement (the "Withdrawal Date"). The Partnership shall, by written notice addressed to the Withdrawing Partner or to the legal representative of a bankrupt Partner, fix a closing date for such purchase which shall be not less than seventy-five (75) days after the Withdrawal Date. The Withdrawing Partner's Interest shall be purchased by the Partnership on such closing date at a price (the "Withdrawing Purchase Price"), which shall be 93% Appraised Value less the startup assistance of \$45,000 (as defined in Section 18.1 of this Agreement.)

**15.2.** The aggregate dollar amount of the Withdrawing Purchase Price shall be payable in cash on the closing date, unless the Partnership shall elect prior to or on the closing date to purchase the Withdrawing Partner's Interest in installments as provided in Section 19 of this Agreement.

### **Section 16. Certain Further Events Giving Rights to Purchase Option.**

**16.1.** In the event that any Partner (the "Defaulting Partner"):

**16.1.1.** Shall have filed against him any tax lien respecting all or substantially all of his property and such tax lien shall not be discharged, removed or bonded within sixty (60) days of the date on which it was filed; or

**16.1.2.** Shall subject his Partnership Interest or Partnership Rights or any part thereof or interest therein to a charging order entered by any court of competent jurisdiction; then, immediately upon the occurrence of either of said events (the "Occurrence Date"), the Partnership shall have the right and option, exercisable by written notice to the Defaulting Partner, within thirty (30) days of the Occurrence Date, to purchase from the Defaulting Partner, who shall sell to the Partnership, all of the Partnership Interest and Partnership Rights (the "Defaulting Partner's Interest") owned by the Defaulting Partner in the Partnership on the Occurrence Date. The Partnership shall, by written notice delivered to the Defaulting Partner or his successors, fix a closing date for such purchase, which shall be not less than forty (40) days after the Occurrence Date, but in no event longer than seventy-five (75) days after the Occurrence Date. The Defaulting Partner's Interest shall be purchased by the Partnership on such closing date at a price (the "Defaulting Partner's Purchase Price"), which shall be the Value (as defined in Section 18.1 of this Agreement).

**16.2.** The aggregate dollar amount of the Defaulting Partner's Purchase Price shall be payable in cash on the closing date, unless the Partnership shall elect prior to or on the closing date to purchase the Defaulting Partner's Interest in installments as provided in Section 19 of this Agreement.

### **Section 17. Certain Tax Aspects Incident to Transactions Contemplated by this Agreement.**

It is the intention of the parties that the Transfer Purchase Price, the Decedent Purchase Price, the Withdrawing Purchase Price and the Defaulting Partner's Purchase Price shall constitute and be considered as made in exchange for the interest of the retired Partner in partnership property, including good will, within the meaning of Section 736(b) of the Internal Revenue Code of 1954, as amended.

### **Section 18. The Appraised Value**

**18.1.** The term "Appraised Value" as used in this Agreement shall be the dollar amount equal to the product obtained by multiplying (a) the percentage of Partnership Interest and Partnership Rights owned by a Partner by (b) the Fair Market Value of the Partnership's assets, as determined in accordance with Section 18.2.

**18.2.** The Fair Market Value of the Partnership's assets shall be determined in the following manner:

**18.2.1.** Within thirty (30) days of the date of the Offering Notice, date of the death of a Decedent, the Withdrawal Date or the Occurrence Date, as the case may be, the remaining Partners shall select an appraiser (the "Partnership Appraiser") to determine

the Fair Market Value of the Partnership's assets, and the Partnership Appraiser shall submit his determination thereof within thirty (30) days after the date of his selection (the "Appraisal Due Date").

**18.2.2.** If the appraisal made by Partnership Appraiser is unsatisfactory to the Offering Partner, the personal representatives of the Decedent or Heir, the Withdrawing Partner or the Defaulting Partner, as the case may be, then within fifteen (15) days after the date of the Appraisal Due Date, the Offering Partner, the personal representatives of the Decedent or Heir, the Withdrawing Partner or the Defaulting Partner, as the case may be, shall select an appraiser (the "Partner's Appraiser") to determine the Fair Market Value of the Partnership's assets, and such appraiser shall submit his determination thereof within thirty (30) days after the date of his selection.

**18.2.3.** If the appraisal made by the Partner's Appraiser is unsatisfactory to the remaining Partners, then the Partnership Appraiser and the Partner's Appraiser shall select a third appraiser (the "Appraiser") to determine the Fair Market Value of the Partnership's assets and such Appraiser shall submit his determination thereof within thirty (30) days after the date of his selection. The Appraiser's determination thereof shall be binding upon the Partnership, the remaining Partners and the Offering Partner, the personal representatives of the Decedent or Heir, the Withdrawing Partner or the Defaulting Partner, as the case may be.

**18.3.** Any and all appraisers selected in accordance with the provisions of this Section 18 shall be Chautauqua County area appraisers, who shall conduct appraisals provided for in this Section 18 in accordance with generally accepted appraising standards.

**18.4** Cost of the Partnership Appraiser shall be borne by the partnership; costs of the Partner's Appraiser shall be borne by the Partner or his estate. Cost of the Appraiser shall be borne equally by the remaining Partners, and the Offering partner, the personal representatives of the Decedent or Heir, the Withdrawing or the Defaulting Partner, as the case may be.

### **Section 19. Installment Payments.**

**19.1.** In the event that there shall be an election pursuant to the provisions of Sections 13.2, 14.2, 15.2 or 16.2 hereof to purchase (the Partner or the Partnership so purchasing shall be hereinafter, where appropriate, referred to as the "purchasing person", the Offering Partner's interest, the Decedent's Interest, the Withdrawing Partner's Interest or the Defaulting Partner's Interest, as the case may be (hereinafter where appropriate, referred to as the "Interest")), on an installment basis, then the terms and conditions of such installment purchase shall be as set forth in Section 19.1.1 and Section 19.1.2 in the case of an election pursuant to Section 13.2 or Section 14.2 and as set forth in



Section 19.1.2 and Section 19.1.3 in the case of an election pursuant to Section 15.2 or Section 16.2 hereof.

**19.1.1.** XXX (XX%) of the aggregate purchase price due for such Interest (hereinafter, where appropriate, referred to as the "Aggregate Purchase Price") shall be paid on the closing date; and

**19.1.2.** The remainder of the Aggregate Purchase Price shall be paid in XX (XX) equal consecutive annual installments on each anniversary of the closing date over a period, beginning with the year following the calendar year in which the sale occurred (hereinafter referred to as the "Installment Payment Period").

**19.1.3.** XXX (XX%) of the aggregate purchase price due for such Interest (hereinafter, where appropriate, referred to as the "Special Aggregate Purchase Price") shall be paid on the closing date; and

**19.1.4.** The remainder of the Special Aggregate Purchase Price shall be paid in XX (XX) equal consecutive annual installments on each anniversary of the closing date over a period, beginning with the year following the calendar year in which the date occurred (hereinafter referred to as the "Special Installment Payment Period").

**19.1.5.** Anything contained in this Section 19 to the contrary notwithstanding, the entire unpaid balance of the Aggregate Purchase Price and Special Aggregate Purchase Price shall become immediately due and payable upon the sale, exchange, transfer or other disposition of all or substantially all of the Property or assets of the Partnership.

**19.1.6.** The purchasing person shall pay interest at a rate equal to the Consumer Price Index on each anniversary of the closing date during the Installment Payment Period or Special Installment Payment Period, as the case may be.

**19.2.** So long as any part of the Aggregate Purchase Price or Special Aggregate Purchase Price remains unpaid, the Partners shall permit the Offering Partner, the personal representatives of the Decedent or the Heir, the Withdrawing Partner (or the legal representative of the Withdrawing Partner in the event of the bankruptcy of the Withdrawing Partner) or the Defaulting Partner, as the case may be, and the attorneys and accountants of each of the foregoing persons, to examine the books and records of the Partnership and its business following the event that shall have given rise to the election referred to in Section 19.1 hereof during regular business hours from time to time upon reasonable prior notice and to receive copies of the annual accounting reports and tax returns of the Partnership.

## **Section 20. Delivery of Evidence of Interest**

On the closing date, upon payment of the Aggregate Purchase Price for the purchase of the Interest hereunder or, if payment is to be made in installments pursuant to the provisions of Section 19 hereof, upon the first payment, the Offering Partner, the Withdrawing Partner, the personal representative of the Withdrawing Partner (in the event of the bankruptcy of the Withdrawing Partner) or the Defaulting Partner, as the case may be, shall execute, acknowledge, seal and deliver to the purchasing person such instrument or instruments of transfer to evidence the purchase of the Interest (the "Instrument of Transfer") that shall be reasonably requested by counsel to the purchasing person in form and substance; reasonably satisfactory to such counsel. If a tender of the Aggregate Purchase Price or Special Aggregate Purchase Price or, if payment is to be made in installments pursuant to the provisions of Section 19.1 hereof, the tender of the first payment thereof, shall be refused, or if the Instrument of Transfer shall not be delivered contemporaneously with the tender of the Aggregate Purchase Price or Special Aggregate Purchase Price or of the first payment thereof, as aforesaid, then the purchasing person shall be appointed, and the same is hereby irrevocably constituted and appointed the attorney-in-fact with full power and authority to execute, acknowledge, seal and deliver the Instrument of Transfer.

#### **Section 21. Family Members.**

For purposes of this Agreement, members of the "immediate family" of a Partner are hereby defined to be such person's spouse or children.

#### **Section 22. Notices.**

Any and all notices, offers, acceptances, requests, certifications and consents provided for in this Agreement shall be in writing and shall be given and be deemed to have been given when personally delivered against a signed receipt or mailed by registered or certified mail, return receipt requested, to the last address which the addressee has given to the Partnership. The address of each partner is set under his signature at the end of this Agreement, and each partner agrees to notify the Partnership of any change of address. The address of the Partnership shall be its principal office.

#### **Section 23. Governing Law.**

It is the intent of the parties hereto that all questions with respect to the construction of this Agreement and the rights, duties, obligations and liabilities of the parties shall be determined in accordance with the applicable provisions of the laws of the State of New York.

#### **Section 24. Miscellaneous Provisions.**

**24.1.** This Agreement shall be binding upon, and inure to the benefit of, all parties

hereto, their personal and legal representatives, guardians, successors, and their assigns to the extent, but only to the extent, that assignment is provided for in accordance with, and permitted by, the provisions of this Agreement.

**24.2.** Nothing herein contained shall be construed to limit in any manner the Partners, or their respective agents, servants, and employees, in carrying on their own respective businesses or activities.

**24.3.** The Partners agree that they and each of them will take whatever action or actions as are deemed by counsel to the Partnership to be reasonably necessary or desirable from time to time to effectuate the provisions of intent of this Agreement, and to that end, the Partners agree that they will execute, acknowledge, seal and deliver any further instruments or documents which may be necessary to give force and effect to this Agreement or any of the provisions hereof, or to carry out the intent of this Agreement, or any of the provisions hereof.

**24.4.** Throughout this Agreement, where such meanings would be appropriate: (a) the masculine gender shall be deemed to include the feminine and the neuter and vice-versa, and (b) the singular shall be deemed to include the plural, and vice-versa. The headings herein are inserted only as a matter of convenience and reference, and in no way define, limit or describe the scope of this Agreement, or the intent of any provisions thereof.

**24.5.** This Agreement and exhibits attached hereto set forth all (and are intended by all parties hereto to be an integration of all) of the promises, agreements, conditions, understandings, warranties and representations, oral or written, express or implied, among them other than as set forth herein.

**24.6.** Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. In the event there is any conflict between any provision of this Agreement and any statute, law, ordinance or regulation contrary to which the Partners have no legal right to contract, the later shall prevail, but in such event the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to conform with said requirement of law. In the event that any part, article, section, paragraph or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the entire Agreement shall not fail on account thereof, and the balance of this Agreement shall continue in full force and effect.

**24.7.** Each married party to this Agreement agrees to obtain the consent and approval of his or her spouse, to all the terms and provisions of this Agreement; provided, however, that such execution shall be for the sole purpose of acknowledging such spousal consent and approval, as aforesaid, and nothing contained in this Section 24.7 shall be

deemed to have constituted any such spouse a Partner in the Partnership.

**24.8.** Each partner agrees to insert in his Will or to execute a Codicil thereto directing and authorizing his personal representatives to fulfill and comply with the provisions hereof and to sell and transfer his percentage of Partnership Interest and Partnership Rights in accordance herewith.

**24.9.** The Partnership shall have the right to make application for, take out and maintain in effect such policies of life insurance on the lives of any or all of the Partners, whenever and in such amounts as the Partners shall determine in accordance with Section 8 of this Agreement. Each Partner shall exert his best efforts and fully assist and cooperate with the Partnership in obtaining any such policies of life insurance.

IN WITNESS WHEREOF, the parties hereunto set their hands and seals and acknowledged this Agreement as of the date first above written.