

Partnership Agreement

The following agreement is designed for a partnership on one house where one person does all the work and the other puts up the money.

You may use it if you wish, especially on your first deal. If you continue its use thereafter with the same partner, you can simply add an addendum for each house you add. You'll find it on your Gold Club site.

***This Agreement Should Be Checked
By Your Attorney Before Its Use.***

Real Estate Partnership Agreement

REAL ESTATE PARTNERSHIP AGREEMENT

THIS REAL ESTATE PARTNERSHIP AGREEMENT is made and entered into this ____ day of _____, 20____, by and between, _____ whose address is _____ (hereinafter referred to as the "First Party"), and _____, whose address is _____ (hereinafter referred to as the "Second Party"), and hereinafter collectively referred to as the "Parties".

WITNESSETH:

WHEREAS, the FIRST PARTY has investment capital available for contribution to a business enterprise; and

WHEREAS, the Second Party has the ability to locate, purchase, renovate, market, and sell real estate; and

WHEREAS, each of the parties desires to own a one-half (1/2) undivided interest in the subject property described below and the parties have agreed to limitations upon the right and power to transfer their undivided interests and have also agreed upon the payment of expenses, delegation of responsibility, and distribution of profits and/or losses incurred with reference to the property; and

WHEREAS, it is the desire of the Parties to define and set out their relationship in writing and the circumstances under which they are operating, as of the date of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, the Parties agree as follows:

1. **PRIOR AGREEMENT.** It is the intention of the Parties that this Agreement replace all written and/or oral agreements, understandings, and business ventures, previously, or otherwise, existing between the Parties.
2. **FORMATION.** The Parties hereby create a Real Estate Partnership Agreement pursuant to the laws of the State of _____. Said "partnership" in any real estate purchased by the parties shall be defined solely by this Agreement, regardless of the manner in which title to property may be taken.
3. **PURPOSE.** The purpose of the partnership is to purchase the house located at _____, for the purpose of repairing, renovating, and selling it as expeditiously as possible, and to carry on any and all such other activities as may be necessary to accomplish the above described purpose of the partnership. Each partner represents and warrants that he/she is acquiring interest in the partnership for his/her own account, for investment, and not with a view to the sale or distribution thereof.
4. **TERM.** The partnership shall commence as of the date of this Agreement and shall continue until terminated by an agreement of the Parties, or when monies are distributed per this Agreement subsequent to closing the sale of the subject property, whichever shall occur first, by applicable law for the State of _____, or by the bankruptcy, retirement, or withdrawal of one of the parties.
5. **CONTRIBUTION OF CAPITAL.**
 - (a) **First Party.** The First Party shall contribute all money needed to purchase, repair, maintain, advertise, market and any other expenses, as well as any mortgage payments that become due during the period of ownership of the subject property as well as qualifying for any financing. First Party's contribution shall not begin until closing the purchase of the subject property following receipt by First Party of all supporting and necessary documents as required pursuant to Paragraph 21 herein.
 - (b) **Second Party.** The Second Party shall contribute the cost of any earnest money deposit, appraisal and other expenses, not related to financing, prior to closing the purchase of the subject property. These expenses will be reimbursed by the First Party at closing.

6. **LIABILITY OF THE PARTIES.** During the existence of the partnership, neither party shall be liable for any obligations of the other party created without the express approval of both parties. The Parties shall share equally in any and all profits and losses of the business of the partnership.
7. **REPRESENTATIONS AND WARRANTIES OF THE PARTIES.** The Parties represent and warrant that there are no suits, judgments, or liens, of any kind, pending or filed against him/her, whether individually or in conjunction with any person or entity, in any jurisdiction whatsoever.
8. **NATURE OF PERFORMANCE.** During the existence of the partnership, the partners shall be solely responsible for performing the following duties:
 - (a) The First Party shall contribute all money needed to purchase, repair, maintain, advertise, market and any other expenses, as well as any mortgage payments that become due during the period of ownership of the subject property as well as qualifying for any necessary financing.
 - (b) The Second Party shall be solely responsible for the day to day management, maintenance renovation & marketing of the subject property for resale, thereby protecting the investment of the parties. The Second Party may, at his sole option and expense, make alterations and improvements to the property, as in his discretion, are necessary and advisable.
9. **PARTNERSHIP DECISIONS.** All decisions, including, but not limited to, purchase of assets by the partnership, any loan or other obligation to be undertaken by the partnership, shall require the approval of the all of the Partners. Any decision to sell the subject property shall be made by both parties upon such price and terms as they may agree.
10. **CONFLICT RESOLUTION.** At the request of either party, any disputes or conflicts between the parties may be resolved by arbitration. A mutually agreed upon arbitrator, who is experienced in real estate, shall be chosen by the parties. Any decision rendered by the arbitrator shall be non-binding on the parties. The cost of arbitration shall be borne equally by the parties in dispute.
11. **MARKETING PLAN.** At a time to be determined by the parties, the subject property shall be marketed for re-sale. The initial asking price shall be \$_____. The parties will/will not retain the services of a real estate broker to market the subject property. The terms of this provision may be amended by mutual consent of the parties.
12. **DISTRIBUTIONS.**
 - (a) Subsequent to the sale of the subject property, any proceeds will first be used to reimburse all cash advances by both parties; second, toward paying off any existing loans on the property; and lastly towards profits. First Party shall provide to Second Party a closing statement and an accounting of any and all expenses incurred by First Party and detailing how the new profit figure is obtained and distributed. After both parties have been repaid for all expenses incurred, and loans repaid, as described above then any remaining money will be distributed equally (50/50) between the parties. Any finders fee paid to the Second Party will not be reimbursed to the First Party at closing, but will be considered as if it were a part of the purchase price of the property.
 - (b) Any income generated from the subject property prior to sale (rents [net after mortgage payment and other expenses are paid], option consideration, unreturned security, deposits, etc.) shall be applied first to reimburse any cash advances made by Both Parties; second, toward paying off any existing loans on the property; and lastly, towards profits to be distributed pursuant to the terms of 12 (a) above.
 - (c) A finders fee of \$_____ may be collected at closing by the second party for locating and securing the contract to purchase property.

13. DEATH OF PARTNER. Except as provided in this paragraph, each of the parties will not dispose, i.e., transfer, devise, convey, lease, mortgage, or otherwise encumber his undivided interest in the subject property, without the written consent of the other party.
- (a) The death of a Partner shall not act to terminate the Partnership. The estate of the deceased partner shall continue to be considered a partner hereunder and shall share in any profits and/or losses, however, notwithstanding any transfer to a related individual, the Transferee shall not have any rights in and to the property except through the transfer or party except through the transfer or party. For purposes of this Agreement, the term "related party" shall mean parents, brothers, sisters, spouses, lineal descendants, spouses of lineal descendants, trustees for the benefit of any such person or entity, and corporations owned or controlled by any of the foregoing. Approval of any transfer of interest by a related individual shall be required to be in writing by the surviving partner.
14. PARTITION. Each of the parties irrevocably waives any and all right that he may have to maintain any action for partition with respect to his undivided interest in the property or to compel any sale of the property under any law now existing or hereafter enacted.15. MORTGAGES. The First Party shall, during the term of this Agreement, make all monthly principal and interest payments due under the promissory note(s) and mortgage(s) described hereinabove. Any decision to further encumber the property shall be made by both parties, upon such terms as the parties hereto may agree.
15. MORTGAGES. The First Party shall, during the term of this Agreement, make all monthly principal and interest payments due under the promissory note(s) and mortgage(s) described hereinabove. Any decision to further encumber the property shall be made by both parties, upon such terms as the parties hereto may agree.
16. TAXES. The First Party shall, during the term of this Agreement, pay all real property taxes on the property. The First Party shall pay all personal property taxes, if any, on property.
17. INSURANCE. The Second Party shall, during the term of this Agreement, obtain and maintain a policy of insurance on the premises in an amount equal to its Fair Market Value. Any sums made payable under said policy of insurance shall be used exclusively to replace or repair the damage or theft for which said sums are paid unless the parties agree otherwise in writing.
18. VACANY. The subject property shall remain vacant at all times during the term of this Agreement unless otherwise agreed to by First Party in writing.
19. TITLE TO SUBJECT PROPERTY. As the First Party shall be taking the greater financial risk in the venture anticipated and to be undertaken as a result of this Agreement, First Party shall hold title to the subject property in trust. First Party shall be the sole beneficiary of said trust and shall retain full and absolute control over the legal ownership to the subject property.

Second Party understands and agrees to the terms of the paragraph above in view of the fact that Second Party has made little or no financial contribution to the venture anticipated and to be undertaken as a result of this Agreement.

20. CHOICE OF TRUSTEE. The First Party shall have sole responsibility for choosing and designating a trustee to take title to the subject property. First Party has chosen _____ as Trustee and he shall act on the behalf of First Party at all times under the terms of this Agreement.
21. SECOND PARTY'S DUTIES AND RESPONSIBILITIES. Subject to the conditions and limitations but without limitation otherwise set forth herein and to the requirements of any law or administrative enactment applicable hereto, Second Party shall:
- A. Prior to Purchase
- (a) Provide First Party with a copy of a purchase contract for the subject property signed by Second Party. Said purchase contract may include a clause requiring the approval of the First Party within five (5) days of execution by the Seller.

- (b) Obtain an appraisal on the subject property by a HUD approved appraiser. In special circumstances when an appraisal is not possible, the First Party may accept other substitute value confirmations at his option.
- (c) Obtain competing bids, when necessary, to assure a fair price, from contractors and repairmen for repairs and renovations to be completed on the subject property. Said bids and/or estimates shall be provided to and approved by the First Party.
- (d) Call the Building Department for Code violations on the property.
- (e) Obtain termite report.

B. After Purchase:

- (f) Review and research the references, credentials and licenses, if applicable, of any contractor or repairmen which are chosen to perform repairs and renovations on the subject property.
- (g) Negotiate and contract, on behalf of the First Party, with contractors and repairmen to provide services and supervise said contractors and repairmen and their work at subject property. Funds are to be allocated to the Contractor on a percentage of completion basis as deemed necessary with any initial percentage payment exceeding 25% to be approved by First Party in writing.
- (h) Purchase or cause to be purchased all materials, supplies and equipment as needed for the proper maintenance, repair, renovation and operation of the subject property in a cost effective manner.
- (i) Endeavor to keep monthly expenditures at a minimum by pursuing effective methods and procedures of cost reduction and control and advise First Party on cost saving initiatives.
- (j) Obtain any and all necessary lien releases from contractors and repairmen for payments made for work performed on the subject property.
- (k) Routinely and regularly inspect the subject property and make recommendations to First Party regarding the management, repair and marketing of the subject property.
- (l) Communicate with the First Party on not less a bi-monthly basis and with reasonable promptness otherwise to assure that the objectives and purpose of this Agreement are carried out in the most effective and expeditious manner possible.
- (m) Cause to be kept books of account in which shall be entered fully and accurately each and every transaction of the partnership.
- (n) Market the property under terms and conditions agreed upon by both parties. If no bonafide buyer has been contracted to purchase within 120 days of the date of the property acquisition, a Realtor will be hired by the Second Party. If a commission is paid to a Realtor it will be deducted from the Second Parties proceeds at closing since marketing is a responsibility of the Second Party.

22. **DEFAULT OF THE SECOND PARTY.** In the event litigation results from or arises out of this Agreement or the performance thereof due to the action, inaction or default of Second Party, Second Party agrees that the First Party's costs and reasonable attorneys fees may be deducted, at First Party's option, from any profits due to the Second Party hereunder.

23. **INCOME TAXES.** Each partner shall be liable for any tax consequences created by the sale of the subject property based on his/her percentage split of the profits/losses distributed to him/her.

24. WITHDRAWAL OF PARTNER. In the event the Second Party is unable or unwilling to continue as a partner of the First Party or decides to withdraw from the Partnership for whatever reason, the following shall apply:
- (a) Any substitute partner must be agreed to in writing by the First Party.
 - (b) Second Party will receive none of the profits upon the sale of the subject property unless otherwise agreed to by the First Party in writing.
 - (c) Second Party shall be reimbursed for any expenses incurred as a partner hereunder only upon the sale of the subject property and only if it is determined that a profit has been generated by said sale.
25. MISCELLANEOUS PROVISIONS.
- (a) This Agreement supersedes any and all prior agreements of the Parties, whether oral or written.
 - (b) The Parties agree to execute any and all documents necessary to carry out the terms and intent of this Agreement.
 - (c) Section headings contained in this Agreement are included for convenience only and form no part of the agreement between the Parties.
 - (d) If any provision of this Agreement is or becomes invalid, illegal, or unenforceable in any jurisdiction, such provision shall be deemed amended to conform to applicable laws so as to be valid and enforceable or, if it cannot be so amended without enforceable or, if it cannot be so amended without materially altering the intention of the Parties, it shall be stricken and the remainder of this Agreement shall remain in full force and effect.
 - (e) Unless specifically disallowed by law, should litigation arise hereunder, service of process therefore may be obtained through certified mail, return receipt requested, the Parties hereto waiving any and all rights they may have to object to the method by which service was perfected.
 - (f) No waiver of any right under this Agreement shall be deemed effective unless contained in a writing signed by the parties charged with such waiver, and no waiver of any right arising from any breach or failure to perform shall be deemed to be a waiver of any future such right or any other right arising under this Agreement.
 - (g) This instrument contains the entire agreement of the Parties with respect to the subject matter hereof, and the terms and conditions thereof may not be further modified except by a writing signed by all the Partners. This instrument shall be under no circumstances be recorded.
 - (h) This agreement, and all transactions contemplated hereby, shall be governed by, construed and enforced in accordance with the laws of the State of _____. The Parties herein waive trial by jury and agree to submit to the personal jurisdiction and venue of a court of subject matter jurisdiction located in _____ County, State of _____. In the event that litigation results from or arises out of this Agreement or the performance thereof, the Parties agree to reimburse the prevailing party's reasonable attorney's fees, court costs, and all other expenses, whether or not taxable by the court as costs, in addition to any other relief to which the prevailing party may be entitled.
 - (i) This Agreement shall be binding upon, and shall inure to the benefit of the Parties thereto, their respective heirs, successors, and assigns, as the case may be.

IN WITNESS WHEREOF, the Parties have executed this Instrument this _____ day of _____, 20_____.

Signed, sealed and delivered in the presence of:

Witness	"FIRST PARTY"
Witness	"SECOND PARTY"