

Sample Corporate Cross Purchase Agreement

(Optional Disability Buy-Out)

This sample agreement has been prepared as a guide to assist attorneys. Our publication, *Buy-Sell Arrangements, A Guide for Professional Advisors* discusses some of the pertinent issues to consider in drafting such agreements. The agreement cannot be used as a final draft. Clients must seek legal counsel to modify the agreement for the client's particular circumstances. The attorney will necessarily be responsible for the actual agreement.

SAMPLE DOCUMENT ONLY
CLIENTS MUST CONSULT LEGAL COUNSEL

Corporate Cross Purchase Agreement
(Optional Disability Buy-Out)

This Agreement, entered into this _____ day of _____, 20 _____, by and between (Name) of (Address), and (Name), of (Address), hereafter called the "Stockholders,"

WITNESSETH:

WHEREAS, the Stockholders own the stock of the (Name of Company) Company, a Corporation with its principal place of business at (Address). The Stockholders own the following number of shares of stock:

(Name), _____ Shares

(Name), _____ Shares

WHEREAS, each Stockholder wishes to make all said stock and any stock acquired hereafter, subject to the terms of this Agreement:

WHEREAS, the Stockholders, for their mutual protection and the more harmonious and successful management of the Corporation, wish to provide for the purchase and sale of all of a Stockholder's stock upon his/her death, [disability], retirement or withdrawal; and

WHEREAS, it is the intent of the Stockholders to secure this Agreement by the use of life insurance [and disability buy-out insurance] to provide all or a substantial part of the purchase price when needed to carry out this Agreement upon the death [or disability] of a Stockholder;

NOW THEREFORE, in consideration of the mutual covenants to buy and sell and the performance thereof expressed herein by the parties, each of the Stockholders do hereby bind themselves, their heirs, executors, administrators and assigns, and hereto agree as follows:

1. **RESTRICTION ON STOCK TRANSFER.** No Stockholder shall sell, assign, transfer, pledge or dispose of any of his/her respective stock in the Corporation by sale or otherwise except as provided below.

2. **SALE DURING LIFETIME.** In the event a Stockholder desires to sell his/her stock during his/her lifetime, he/she shall be precluded from selling his/her stock to any person or institution until he/she has offered to sell it to the other Stockholder(s) at the price and under the terms provided in Article 5. and 6. of this Agreement. Each of the remaining Stockholders shall have the right to purchase such portion of the stock offered for sale as the number of shares owned by each Stockholder bears to the total number of shares owned by all Stockholders, exclusive of the shares owned by the offering Stockholder. If a Stockholder(s) waives his/her right to purchase a portion of the shares, the other Stockholders who exercise their right to purchase a portion of the shares shall have the right to purchase the shares over which the right has been waived in such proportion as the number of shares owned by each Stockholder exercising his/her right to purchase bears to the total number of shares owned by all Stockholders exercising their right to purchase. The Stockholder(s) shall have ____ days within which to accept this offer to sell. If the Stockholder(s) do not purchase the stock within ____ days, then such stock may be sold to such other person or institution; provided, however, that the purchase price shall not be less than that established under this Agreement without first offering it to the Stockholder(s) at such lesser price and allowing the Stockholder(s) ____ days to decide on purchasing the stock at such lesser price. If the Stockholder does not accept the offer to purchase at this lesser price, the offering Stockholder may dispose of his/her stock for such lesser price.

Notwithstanding any provisions to the contrary, if the Corporation has elected to be treated as an S corporation, each Stockholder agrees that he/she will not, without the written consent of the other Stockholder(s), make any transfer of stock by gift, sale, exchange or otherwise to any person or entity not eligible to own stock in an S corporation.

Optional Article Providing For Disability Buy-Out

3. **OPTIONAL DISABILITY BUY-OUT.** In the event a Stockholder becomes "totally disabled" for the period specified in the individual disability buy-out policy listed in Schedule "B", the non-disabled Stockholder(s) shall purchase and the disabled Stockholder shall sell all the disabled Stockholder's stock in the Corporation, now owned or hereafter acquired. Each of the remaining Stockholders shall purchase such portion of the disabled Stockholders stock as the number of shares owned by each Stockholder bears to the total number of shares owned by all Stockholders exclusive of the shares owned by the disabled Stockholder. For purpose of this Agreement, the term "total disability" shall be considered that disability of an insured Stockholder which is described and defined in the separate individual disability buy-out policies listed in Schedule "B" attached hereto. The non-disabled Stockholder shall purchase the disabled Stockholder's interest in the Corporation in accordance with the provisions of Articles 5. and 6. of this Agreement. The sale shall begin within ____ days after the collection of the disability proceeds from the policy or policies on the life of the disabled Stockholder as listed in Schedule "B" of this Agreement.

In the event the disabled Stockholder ceases to be totally disabled after his/her interest has been sold but prior to the payment of the full purchase price, the remaining balance due to the disabled Stockholder shall continue to be paid pursuant to the installment terms of Article 6. of this Agreement.

In the event of death of the disabled Stockholder after his/her interest has been sold but prior to the payment of the full purchase price, the remaining balance due to the disabled Stockholder shall continue to be paid pursuant to the installment terms of Article 6. of this Agreement.

4. **SALE OF STOCK AT DEATH.** Upon the death of a Stockholder, the surviving Stockholder(s) shall purchase and the estate of the deceased Stockholder shall sell all the deceased Stockholder's stock in the Corporation, now owned or hereafter acquired. Each of the remaining Stockholders shall have the right to purchase such portion of the deceased Stockholder's stock as the number of shares owned by each Stockholder bears to the total number of shares owned by all Stockholders, exclusive of the shares owned by the deceased Stockholder. The sale shall occur within such time as the parties may agree, but in no event shall the sale begin more than _____ days after the qualification of the deceased Stockholder's legal representative. The purchase or sale price and the terms of payment for such stock shall be determined in accordance with the provisions of Articles 5. and 6. of this Agreement.
5. **VALUATION.** The value of the deceased or withdrawing Stockholder's stock shall be determined by appraisal as follows:

The remaining Stockholder(s) and the deceased or withdrawing Stockholder shall each name one independent certified appraiser; if the two appraisers cannot agree upon a value within _____ days, they shall appoint a third appraiser and the decision of the third appraiser shall be binding upon all parties.

[In the event the buy-out is triggered by the total disability of a Stockholder, the valuation method described above in this Article shall be applied as of the expiration of the elimination period specified in the individual disability buy-out policies listed in Schedule "B". Note to Attorney: This paragraph should be included only if optional Article 3. has been included in the Agreement.]

[Note to Attorney: For many years it was customary to say that a bona-fide arm's length buy-sell agreement could peg the value of a decedent's interest for estate purposes as long as: (1) the purchase price was reasonable at the time the agreement was made; and (2) the purchase and sale were mandatory and binding during life as well as at death. For buy-sell agreement entered into or substantially modified after October 8, 1990, however, the buy-sell value will be disregarded unless: (1) the agreement is a bona fide business arrangement; (2) the agreement is not a device to transfer property to family members for less than full consideration; and (3) the terms of the agreement are comparable to similar arrangements entered into by persons in arm's-length transactions. Section 2703 I.R.C. Based on this new provision of the Code, it appears that a buy-sell agreement will not establish an estate value unless the price is set by a provision likely to establish fair

market value at the time of exercise using an arm's length transaction analysis. The appraisal method is just one method which can be utilized to reflect the fair market value of the business at the time of exercise. Other methods of valuation may be utilized.]

- 6. TERMS OF PURCHASE.** Any Stockholder upon receiving life insurance proceeds (from the policy or policies listed in Schedule "A" of this Agreement) [or disability proceeds (from the policy or policies listed in Schedule "B" of this Agreement)] by reason of the death [or total disability] of a Stockholder must first apply the proceeds to the purchase price of the stock. Any excess of the proceeds over the purchase price shall be retained by the surviving Stockholder(s).

In the event that the proceeds of any life insurance [or disability buy-out insurance] owned by the surviving Stockholder and made part of this Agreement are less than the purchase price, or in the event of a sale of stock during the selling Stockholder's lifetime, the balance of the purchase price shall be paid in _____ consecutive quarterly installments. The installments shall begin as follows:

1. In the event of death of the Stockholder, within _____ days after the qualification of the deceased Stockholder's legal representative.
2. In the case of a lifetime sale, within _____ days after the acceptance of an offer to sell any stock pursuant to this Agreement.
3. [In the event of a sale triggered by the "total disability" of the Stockholder, within _____ days after the collection of the disability proceeds.]

The unpaid balance of the purchase price shall be evidenced by a series of negotiable notes executed by the purchasing Stockholder(s) with interest at _____ percent per annum on the unpaid balance. The purchaser shall have the right to pay any or all installments prior to the actual due date without penalty.

In the event of default in the payment of principal or interest for a period of _____ days, all notes shall become due and payable at the election of the holder.

Each note will be secured in a manner that is acceptable to all the parties to this Agreement provided however, that if the parties cannot agree on the security, all of the stock of the purchasing Stockholder shall be pledged as security for the payment of the notes and provided further, that the purchasing Stockholder shall be entitled to exercise all rights of ownership in such stock prior to default in payment of principal or interest.

[In determining the rate of interest on the unpaid balance of the note, the parties should be aware of the provisions of Section 483 of the I.R.C.]

- 7. TRANSFER OF STOCK.** Upon receipt of the purchase price in cash and/or notes, as provided in this Agreement, the Stockholder or his/her legal representative shall transfer the stock to the remaining Stockholder(s).

8. **INSURANCE ON THE STOCKHOLDERS' LIVES.** Each Stockholder shall apply for and be the owner of life insurance [and disability buy-out insurance] on the life of the other Stockholder(s). Additionally, to secure performance of this Agreement, each Stockholder shall be empowered to purchase, from time to time, additional insurance on the life of the other party(ies) to this Agreement or anyone who may hereafter become a party to this Agreement. Each Stockholder shall possess the same rights with regard to these new policies as exist with respect to previously issued policies.

All life insurance policies pertaining to this Agreement shall be listed on Schedule "A" attached hereto.

[All disability buy-out policies pertaining to this Agreement shall be listed on Schedule "B" attached hereto.]

Each policyowner agrees to pay the first and all subsequent premiums as they become due and if so requested to give proof of payment to the insured within _____ days after the due date of the premium. In the event the premium is not paid within _____ days after its due date, the insured may make the payment, which shall be considered a loan, and in which event the insured shall be reimbursed by the policyowner. The policyowner agrees to take all necessary actions to allow disclosure of information to the Insured pertaining to the policies insuring his/her life.

No party to this Agreement shall execute any loans against, impair, or in any manner encumber any of the above policies to the detriment of this Agreement without the written consent of the other parties, except that each policyowner may exercise any dividend options or dividend rights provided by the policy without obtaining the consent of any of the other parties to this Agreement.

9. **RIGHT TO PURCHASE LIFE INSURANCE.** Upon the death of a Stockholder, the surviving Stockholder(s) shall have the right to purchase, within _____ days after the transfer of the stock, all contracts of life insurance on his/her life appertaining to this Agreement and which were owned by the decedent.

In the event a Stockholder sells all his/her stock during said Stockholder's lifetime [including disability], he/she shall have the right to purchase, within _____ days after the transfer of the stock, all contracts of life insurance on said party's life appertaining to this Agreement; further, the other Stockholder(s) shall have the right to purchase, within the same time, all contracts of insurance on his/her life appertaining to this Agreement and which were owned by the selling Stockholder.

Upon termination of this Agreement for any reason, each Stockholder shall have the right to purchase, within _____ days thereafter, all contracts of life insurance on his/her life appertaining to this Agreement.

In all of the above events, the purchase price for each policy shall be, as of the date of the purchase, the sum of any unearned premium plus the total cash value of the policy, if any, including the cash value of all dividends standing to the credit of the policy, less any

indebtedness. If the right to purchase said policy(s) is not exercised, the policyowner shall have the privilege of holding or disposing of said policy(s) at his/her discretion.

On payment of the price by the purchaser, the seller shall execute such assignments or releases as may reasonably be required to effect the complete transfer of title of the policy to the purchaser.

[For many years it has been customary for insured purchase agreements to grant the insured the right to purchase the policies on his/her life pertaining to the agreement. However, Rev. Rul. 79-46, 1979 - I.R.B. 17, held that an employee's contractual right to buy a life insurance policy on his/her life, owned by the business, is an incident of ownership under I.R.C. Section 2042. This ruling did not involve a policy pertaining to a buy-sell agreement. In Estate of John Smith v. Comm'r., 73 T.C. 307 (1979), acq. in result, 1981-1C.B. 2, the Tax Court held that the insured's contingent purchase option was not an incident of ownership. Also, in Let. Rul. 8049002, the IRS ruled that where a stockholder had the right to purchase the policies on his life if he ceased being a stockholder, such contingent purchase option was not an incident of ownership. Accordingly, Rev. Rul. 79-64 may be of doubtful validity. Even assuming the ruling's validity, it should not result in inclusion of both the insurance proceeds and the decedent's interest in the business in the gross estate. Estate of John T. Mitchell, 37 B.T.A. 1 (1938). acq. 1938-1C.B.20; Estate of Ray E. Tompkins, 13T.C. 1954 (1949), acq. 1950-1C.B.5.]

Alternate Article Providing For Disposition Of Disability Buy-Out Insurance

- 10. DISPOSITION OF DISABILITY INSURANCE.** Upon the death of a Stockholder, the surviving Stockholder(s) shall have the right to exercise within ____ days after the transfer of the stock, the exchange privilege provision or the transfer of ownership provision according to the terms contained in all disability buy-out contracts of insurance on his/her life appertaining to the Agreement and which were owned by the decedent.

In the event a Stockholder sells all of his/her stock during said Stockholder's lifetime, the other Stockholder(s) shall have the right to exercise within ____ days after the transfer of the stock, the exchange privilege provision or the transfer of ownership provision according to the terms contained in all disability buy-out contracts of insurance on his/her life appertaining to this Agreement and which were owned by the selling Stockholder. The selling Stockholder shall have the right to exercise within ____ days after the transfer of the stock, the exchange privilege provision or the transfer of ownership provision according to the terms contain in all disability buy-out contracts of insurance on his/her life appertaining to this Agreement and which were owned by the other stockholders.

At such time as the disability buy-out provisions of Article 3. go into effect, the non-disabled Stockholder(s) shall have the option, exercisable within ____ days, to exercise the exchange privilege provision or the transfer of ownership provision according to the

terms contained in the disability buy-out insurance contracts insuring his/her life appertaining to the Agreement which were owned by the disabled Stockholder.

In all of the above events, the Stockholder exercising the election shall pay to the Stockholder who owns the disability buy-out contract the sum of any unearned premiums plus the value of any accrued dividends. If the exchange rights are not exercised, the Stockholder shall have the right to dispose of the disability buy-out contracts at his/her discretion.

- 11. ENDORSEMENT OF STOCK CERTIFICATE.** Upon the execution of this Agreement, the stock certificates shall be surrendered to the Corporation for the affixation of the following endorsement:

"This certificate is transferable only upon compliance with provisions of an Agreement dated _____, 20 ____."

Following the endorsement of the certificates, such certificates shall be returned to the Stockholders. Any stock issued to a Stockholder subsequent to the date of this Agreement shall carry the same endorsement.

- 12. EXECUTION OF INSTRUMENTS TO EFFECT THE TERMS OF THE AGREEMENT.** The parties hereto, for themselves, their heirs, executors, administrators, successors and assigns, agree to execute any and all instruments necessary to carry out the terms of this Agreement.

- 13. AMENDMENT OR ALTERATIONS.** This Agreement may be amended or altered in whole or in part at any time by filing with this Agreement a written instrument setting forth such changes and signed by the Stockholders who are parties to this Agreement.

- 14. TERMINATION.** This Agreement shall terminate upon the occurrence of any of the following events:

1. Dissolution, bankruptcy or insolvency of the Corporation; or
2. Death of all Stockholders within a period of _____ days; or
3. Written and signed mutual agreement of the Stockholders; or
4. Failure of the Stockholder to provide for any remaining purchase balance as acquired under Article 6.

- 15. NOTICE.** All notices, including offers or acceptances, shall be deemed received, if provided in writing and delivered in person to the other party, or mailed by certified or registered mail to the last known address of that party.

- 16. REMEDIES FOR FAILURE TO PERFORM.** If a party to this Agreement defaults or fails to complete his/her obligations under this Agreement, then the offended party may, at

his/her option, seek damages, or obtain specific performance of the Agreement from a court of competent jurisdiction.

17. **LIABILITY OF INSURER.** It is understood by the parties to this Agreement that in issuing policies of insurance pursuant to this Agreement, Principal Life Insurance Company shall have no liability except as set forth in the policies. Said Insurer shall not be bound to inquire into or take notice of any of the covenants herein contained as to policies of insurance, or as to the application of the proceeds of such policies. Rights under a policy may be exercised during the life of the Insured pursuant to the provisions of the policy. Upon payment by said Insurer pursuant to the terms of any policy, the Insurer shall be discharged from all liability without regard to this Agreement or any amendment thereto.
18. **GOVERNING LAW.** This Agreement shall be governed by the laws of the state of

IN WITNESS WHEREOF, the parties hereto have set their hands and seals the day and year above written.

(Formalities of execution will be governed by local law and should be in accordance therewith.)

(Signature of Stockholder)
(Name)

(Signature of Stockholder)
(Name)

Acceptance Of Agreement

I, (Name) , spouse of (Stockholder) , have read the foregoing Agreement and I agree to the provisions relating to the sale of a Stockholder's stock and I do agree that the provisions shall be binding on me while this Agreement may remain in effect.

This acceptance is executed by me at the same time my spouse is executing the said Agreement.

 (Signature of Spouse)
(Name)

Schedule "A"

Life Insurance Policies

<div>Insured</div>	<div>Policyowner</div>	<div>Insurance Co.</div>	<div>Policy No.</div>	<div>Amount</div>
<div>Insured</div>	<div>Policyowner</div>	<div>Insurance Co.</div>	<div>Policy No.</div>	<div>Amount</div>

Schedule "B"
Disability Insurance Policies

<div>Insured</div>	<div>Policyowner</div>	<div>Insurance Co.</div>	<div>Policy No.</div>	<div>Amount</div>
<div>Insured</div>	<div>Policyowner</div>	<div>Insurance Co.</div>	<div>Policy No.</div>	<div>Amount</div>

SAMPLE PARTNERSHIP CROSS PURCHASE AGREEMENT

(Optional Disability Buy-Out)

This sample agreement has been prepared as a guide to assist attorneys. Our publication, Buy-Sell Arrangements, A Guide for Professional Advisors discusses some of the pertinent issues to consider in drafting such agreements. The agreement cannot be used as a final draft. Clients must seek legal counsel to modify the agreement for the client's particular circumstances. The attorney will necessarily be responsible for the actual agreement.

SAMPLE DOCUMENT ONLY
CLIENTS MUST CONSULT LEGAL COUNSEL

Partnership
Cross Purchase Plan
(Optional Disability Buy-Out)

This Agreement, entered into this _____ day of _____, 20 _____, by and between
(Name) of (Address), and (Name), of (Address), hereafter called the "Partners,"

WITNESSETH:

WHEREAS, the Partners are engaged in the business of (Description), known as (Name of Partnership), located at (Address), hereafter called the "Partnership," with each Partner owning the following percentage of the Partnership, all of which interest is made subject to this Agreement:

(Name), _____%

(Name), _____%

WHEREAS, the Partners, for their mutual protection and the more harmonious and successful management of the Partnership, wish to provide for the purchase and sale of all of a Partner's interest in the Partnership in the event of said Partner's death, [disability], retirement or withdrawal; and

WHEREAS, the Partners wish to provide that upon such purchase and sale the Partnership shall be continued, that the value of a decedent's interest shall be preserved and passed to the deceased Partner's estate, and that control and management of the Partnership shall be preserved in the surviving Partner(s); and

WHEREAS, it is the intent of the Partners to secure this Agreement by the use of life insurance [and disability buy-out insurance] to provide all or a substantial part of the purchase price when needed to carry out this Agreement upon the death [or disability] of a Partner;

NOW THEREFORE, in consideration of the mutual covenants to buy and sell and the performance thereof expressed herein by the parties, this Agreement shall be binding on the Partners individually and on their heirs, executors, administrators and assigns, and each Partner jointly and severally agrees hereto as follows:

- 1. RESTRICTION ON PARTNERSHIP TRANSFER.** Except in the normal course of business financing, no Partner shall sell, assign, transfer, pledge or dispose, or otherwise encumber any of his/her respective interest in the Partnership by sale or otherwise except as provided below.
- 2. SALE DURING LIFETIME.** In the event a Partner desires to sell his/her interest in the Partnership during his/her lifetime, he/she shall be precluded from selling the Partnership interest to

any person or institution until he/she has offered to sell it to the other Partner(s) at the price and under the terms provided in Article 5. and 6. of this Agreement. Each of the remaining Partner(s) shall have the right to purchase such portion of the Partnership interest offered for sale as the interest owned by each Partner bears to the total interest owned by all the Partners, exclusive of the interest owned by the offering Partner. If a Partner(s) waives his/her right to purchase a portion of the Partnership interest, the other Partners who exercise their right to purchase a portion of the Partnership interest shall have the right to purchase the Partnership interest over which the right has been waived in such proportion as the interest owned by each Partner exercising his/her right to purchase bears to the total interest owned by all Partners exercising their right to purchase. The Partner shall have ____ days within which to accept this offer to sell. If the remaining Partner(s) do not purchase the interest within ____ days, then the Partnership interest may be sold to such other person or institution; provided, however, that the purchase price shall not be less than that established under this Agreement without first offering it to the Partner(s) at such lesser price and allowing the Partner(s) ____ days to decide on purchasing the Partnership interest at such lesser price. If the Partner does not accept the offer to purchase at this lesser price, the offering Partner may dispose of his/her stock for such lesser price.

OPTIONAL ARTICLE PROVIDING FOR DISABILITY BUY-OUT

3. **OPTIONAL DISABILITY BUY-OUT.** In the event a Partner becomes "totally disabled" for the period specified in the individual disability buy-out policies listed in Schedule "B", the non-disabled Partner(s) shall purchase and the disabled Partner shall sell all the disabled Partner's interest in the Partnership, now owned or hereafter acquired. Each of the remaining Partners shall purchase such portion of the disabled Partner's interest as the interest owned by each Partner bears to the total interest owned by all Partners, exclusive of the shares owned by the disabled Partner. For purpose of this Agreement, the term "total disability" shall be considered that disability of an insured Partner which is described and defined in the separate individual disability buy-out policies listed in Schedule "B" attached hereto. The non-disabled Partner(s) shall purchase the disabled Partner's interest in the Partnership in accordance with the provisions of Articles 5. and 6. of this Agreement. The sale shall begin within ____ days after the collection of the disability proceeds from the policy or policies on the life of the disabled Partner as listed in Schedule "B" of this Agreement.

In the event the disabled Partner ceases to be totally disabled after his/her interest has been sold but prior to the payment of the full purchase price, the remaining balance due to the disabled Partner shall continue to be paid pursuant to the installment terms of Article 6. of this Agreement.

In the event of the death of the disabled Partner after his/her interest has been sold but prior to the payment of the full purchase price, the remaining balance due to the disabled Partner shall continue to be paid pursuant to the installment terms of Article 6. of this Agreement.

4. **SALE AT DEATH.** Upon the death of a Partner, the surviving Partner(s) shall purchase and the estate of the deceased Partner shall sell all the deceased Partner's interest in the Partnership, now owned or hereafter acquired. Each of the remaining Partners shall have the right to purchase such portion of the deceased Partner's interest as the interest owned by each Partner bears to the total interest owned by all Partners, exclusive of the shares owned by the deceased Partner. The sale shall occur within such time as the parties may agree, but in no event shall the sale begin more than ____ days after the qualification of the deceased Partner's legal representative. The purchase or

sale price and the terms of payment for such stock shall be determined in accordance with the provisions of Articles 5. and 6. of this Agreement.

5. **VALUATION.** The value of an interest in the partnership of a deceased or withdrawing partner shall be the amount of said partner's capital account as maintained for financial accounting purposes adjusted to reflect appraised values as provided below and reduced by said partner's share of partnership liabilities, plus said partner's proportionate share of accrued net income of the partnership to the date of death, or withdrawal, not previously credited to said partner's capital account except as included in said partner's drawing account.

All partnership assets shall be valued at book value except that the appraised value of machinery, equipment and real property shall be substituted for book value. The difference between total appraised value of machinery, equipment, and real property and their said depreciated book value shall increase or decrease the partners capital accounts so maintained in the proportion of their interest in profits or losses of the partnership. The appraised value shall be determined as of the date of death or withdrawal of a partner and shall be made by an appraiser selected by agreement between the continuing partners and the withdrawing partner or the personal representative of the deceased partner. If they cannot agree upon an appraiser, the appraiser shall be chosen in accordance with the rules of the American Arbitration Association then in effect. No value in excess of book value shall be attributed to partnership goodwill.

The balance, positive or negative, in the drawing account of a deceased, or withdrawing partner is to be treated as an obligation of the partnership to the partner or an obligation of the partner to the partnership, as the case may be. Any amount owed, whether to the partner or to the partnership, as reflected in the drawing account of a deceased, or withdrawing partner, shall be paid within 90 days after the retirement, death, or expulsion of the partner.

The continuing partners agree that they will proceed as expeditiously as possible to determine the value, pursuant to this Article, of the interest in the deceased, or withdrawing partner.

[In the event the buy-out is triggered by the total disability of a Partner, the valuation method described above in this Article shall be applied as of the expiration of the waiting period specified in the individual disability buy-out policies listed in Schedule "B". Note to Attorney: This paragraph should be included only if optional Article 3. has been included in the Agreement.]

6. **TERMS OF PURCHASE.** Any Partner upon receiving life insurance proceeds (from the policy or policies listed in Schedule "A" of this Agreement) [or disability proceeds (from the policy or policies listed in Schedule "B" of this Agreement)] by reason of the death [or total disability] of a Partner must first apply the proceeds to the purchase price of the Partnership interest. Any excess of the proceeds over the purchase price shall be retained by the surviving Partner(s).

In the event that the proceeds of any life insurance [or disability buy-out insurance] owned by the surviving Partner(s) and made part of this Agreement, are less than the purchase price, or in the event of a sale of the Partnership interest during the selling Partner's lifetime, the balance of the purchase price shall be paid in _____ consecutive quarterly installments.

The installments shall begin as follows:

1. In the event of death of a Partner, within _____ days after the qualification of the deceased Partner's legal representative.
2. In the case of a lifetime sale, within _____ days after the acceptance of an offer to sell any Partnership interest pursuant to this Agreement.
3. [In the event of a sale triggered by the "total disability" of a Partner, within _____ days after the collection of the disability proceeds.]

The unpaid balance of the purchase price shall be evidenced by a series of negotiable notes executed by the purchasing Partner(s) with interest at _____ percent per annum on the unpaid balance. The purchaser shall have the right to pay any or all installments prior to the actual due date without penalty.

In the event of default in the payment of principal or interest for a period of _____ days, all notes shall become due and payable at the election of the holder.

Each note will be secured in a manner that is acceptable to all the parties to this Agreement.

[In determining the rate of interest on the unpaid balance or the note, the parties should be aware of the provisions of Section 483 of the I.R.C.]

7. TRANSFER OF PARTNERSHIP INTEREST AND CONTINUATION OF PARTNERSHIP.

Upon receipt of the purchase price in cash and/or notes, as provided in this Agreement, the Partner or his/her legal representative shall transfer the interest in the Partnership, including the right to continue use of the Partnership name, to the remaining Partner(s).

Upon the death, [disability], retirement or withdrawal of a Partner, the Partnership shall continue without interruption, and control and management of the Partnership shall be preserved in the remaining or surviving Partner(s). Thereafter, the selling Partner or estate of the deceased Partner shall have no further rights or interest in the Partnership or its assets and shall be under no further liability with regard to obligations of the Partnership. During such periods all profits and losses of the Partnership shall accrue to the Partnership.

8. INSURANCE ON THE PARTNERS' LIVES. Each Partner shall apply for and be the owner of life insurance [and disability buy-out insurance] on the life of the other Partner(s). Additionally, to secure performance of this Agreement, each Partner shall be empowered to purchase, from time to time, additional insurance on the lives of any of the other parties to this Agreement or anyone who may hereafter become a party to this Agreement. Each Partner shall possess the same rights with regard to these new policies as exist with respect to previously issued policies.

All life insurance policies pertaining to this Agreement shall be listed on Schedule "A" attached hereto. [All disability buy-out insurance policies pertaining to this Agreement shall be listed on Schedule "B" attached hereto.]

Each policyowner agrees to pay the first and all subsequent premiums as they become due and if so requested to give proof of payment to the insured within _____ days after the due date of the

premium. In the event the premium is not paid within _____ days after its due date, the insured may make the payment, which shall be considered a loan, and in which event the insured shall be reimbursed by the policyowner. The policyowner agrees to take all necessary actions to allow disclosure of information to the insured pertaining to the policies insuring his/her life.

No party to this Agreement shall execute any loans against, impair, or in any manner encumber any of the above policies to the detriment of this Agreement without the written consent of the other parties, except that each policyowner may exercise any dividend options or dividend rights provided by the policy without obtaining the consent of any of the other parties to this Agreement.

- 9. RIGHT TO PURCHASE LIFE INSURANCE.** Upon the death of a Partner, the surviving Partner(s) shall have the right to purchase, within _____ days after the transfer of the Partnership interest, all contracts of life insurance on his/her life appertaining to this Agreement and which were owned by the decedent.

In the event a Partner sells all his/her Partnership interest during said Partner's lifetime [including disability], he/she shall have the right to purchase, within _____ days after the transfer of the Partnership interest, all contracts of life insurance on said party's life appertaining to this Agreement; further, the other Partner(s) shall have the right to purchase, within the same time, all contracts of life insurance on his/her life appertaining to this Agreement and which were owned by the selling Partner.

Upon termination of this Agreement for any reason, each Partner shall have the right to purchase, within _____ days thereafter, all contracts of life insurance on his/her life appertaining to this Agreement.

In all of the above events, the purchase price for each policy shall be, as of the date of the purchase, the sum of any unearned premium plus the total cash value of the policy, if any, including the cash value of all dividends standing to the credit of the policy, less any indebtedness. If the right to purchase said policy(s) is not exercised, the policyowner shall have the privilege of holding or disposing of said policy(s) at his/her discretion.

ALTERNATE ARTICLE PROVIDING FOR DISPOSITION OF DISABILITY INSURANCE

- 10. DISPOSITION OF DISABILITY INSURANCE.** Upon the death of a Partner, the surviving Partner(s) shall have the right to exercise within _____ days after the transfer of the Partnership interest, the exchange privilege provision or the transfer of ownership provision, according to the terms contained in all disability buy-out contracts of insurance on his/her life appertaining to the Agreement and which were owned by the decedent.

In the event a Partner sells all of his/her Partnership interest during said Partner's lifetime, the other Partner(s) shall have the right to exercise within _____ days after the transfer of the Partnership interest or the transfer of ownership provision according to the terms contained in all disability buy-out contracts of insurance on his/her life appertaining to this Agreement and which were owned by the selling Partner. The selling Partner shall have the right to exercise within _____ days after the transfer of the Partnership interests the exchange privilege provision or the transfer of ownership provision according to the terms contain in all disability buy-out contracts of insurance on his/her life appertaining to this Agreement and which were owned by the other Partner.

At such time as the disability buy-out provisions of Article 3. go into effect, the non-disabled Partner(s) shall have the option, exercisable within _____ days, to exercise the exchange privilege provision or the transfer of ownership provision according to the terms contained in the disability buy-out insurance contracts insuring his/her life appertaining to the Agreement which were owned by the disabled Partner.

In all of the above events, the Partner exercising the election shall pay to the Partner who owns the disability buy-out contract the sum of any unearned premiums plus the value of any accrued dividends. If the exchange rights are not exercised, the Partner shall have the right to dispose of the disability buy-out contracts at his/her discretion.

- 11. PARTNERSHIP ELECTION TO ADJUST ASSET BASIS.** The parties agree that upon the death,[disability], retirement, a withdrawal of any Partner, the Partnership shall make the election provided under IRC sec. 754, to adjust the basis of Partnership assets to reflect the payments made hereunder.
- 12. EXECUTION OF INSTRUMENTS TO EFFECT THE TERMS OF THE AGREEMENT.** The parties hereto, for themselves, their heirs, executors, administrators, successors and assigns, agree to execute any and all instruments necessary to carry out the terms of this Agreement.
- 13. AMENDMENT OR ALTERATIONS.** This Agreement may be amended or altered in whole or in part at any time by filing with this Agreement a written instrument setting forth such changes and signed by the Partners who are parties to this Agreement.
- 14. TERMINATION.** This Agreement shall terminate upon the occurrence of any of the following events:
1. Cessation of the business; or

2. Bankruptcy or the receivership of any Partner or the Partnership; or
 3. Death of all Partners within a period of ____ days; or
 4. Written and signed mutual agreement of the Partners; or
 5. Failure of a Partner to provide for any remaining purchase balance as acquired under Article 6.
15. **NOTICE.** All notices including offers or acceptances, shall be deemed received, if provided in writing and delivered in person to the other party, or mailed by certified or registered mail to the last known address of that party.
16. **REMEDIES FOR FAILURE TO PERFORM.** If a party to this Agreement defaults or fails to complete his/her obligations under this Agreement, then the offended party may, at his/her option seek damages, or obtain specific performance of the Agreement from a court of competent jurisdiction.
17. **LIABILITY OF INSURER.** It is understood by the parties to this Agreement that in issuing policies of insurance pursuant to this Agreement, Principal Life Insurance Company shall have no liability except as set forth in the policies. Said Insurer shall not be bound to inquire into or take notice of any of the covenants herein contained as to policies of insurance, or as to the application of the proceeds of such policies. Rights under a policy may be exercised during the life of the Insured pursuant to the provisions of the policy. Upon payment by the Insurer pursuant to the terms of any policy the Insurer shall be discharged from all liability without regard to this Agreement or any amendment thereof.
18. **GOVERNING LAW.** This Agreement shall be governed by the laws of the state of _____.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals the day and year above written.

(Formalities of execution will be governed by local law and should be in accordance therewith.)

(Signature of Partner)
(Name)

(Signature of Partner)
(Name)

ACCEPTANCE OF AGREEMENT

I, (Name), spouse of (Partner), have read the foregoing Agreement and I agree to the provisions relating to the sale of a Partner's Partnership interest and I do agree that the provisions shall be binding on me while this Agreement may remain in effect.

This acceptance is executed by me at the same time my spouse is executing the said Agreement.

(Signature of Spouse)
(Name)

SCHEDULE "A"
Life Insurance Policies

_____	_____	_____	_____	_____
Insured	Policyowner	Insurance Co.	Policy No.	Amount

_____	_____	_____	_____	_____
Insured	Policyowner	Insurance Co.	Policy No.	Amount

SCHEDULE "B"
Disability Insurance Policies

_____	_____	_____	_____	_____
Insured	Policyowner	Insurance Co.	Policy No.	Amount

_____	_____	_____	_____	_____
Insured	Policyowner	Insurance Co.	Policy No.	Amount

Sample Partnership Entity Purchase Agreement

(Optional Disability Buy-Out)

This sample agreement has been prepared as a guide to assist attorneys. Our publication, Buy-Sell Arrangements, A Guide for Professional Advisors discusses some of the pertinent issues to consider in drafting such agreements. The agreement cannot be used as a final draft.

Clients must seek legal counsel to modify the agreement for the client's particular circumstances. The attorney will necessarily be responsible for the actual agreement.

SAMPLE DOCUMENT ONLY
CLIENTS MUST CONSULT LEGAL COUNSEL

PARTNERSHIP ENTITY
PURCHASE AGREEMENT

(Optional Disability Buy-Out)

This Agreement, entered into this _____ day of _____, 20_____, by and between (Name), of (Address), and (Name), of (Address), hereafter called "Partners," and (Name of Partnership), hereafter called the "Partnership,"

WITNESSETH:

WHEREAS, the Partners are engaged in the business of (Description), known as (Name of Partnership), located at (Address), with each Partner owning the following percentage of the Partnership, all of which interest is made subject to this Agreement:

_____(Name)_____, _____%

_____(Name)_____, _____%

WHEREAS, the parties, for their mutual protection and the more harmonious and successful management of the Partnership, wish to provide for the purchase and sale of all of a Partner's interest in the Partnership in the event of his/her death, [disability], retirement or withdrawal; and

WHEREAS, the Partners wish to provide that upon such purchase and sale the Partnership shall be continued, that the value of a decedent's interest shall be preserved and passed to his estate, and that control and management of the Partnership shall be preserved in the surviving Partner(s); and

WHEREAS, it is the intent of the parties to secure this Agreement by the use of life insurance [and disability buy-out insurance] to provide all or a substantial part of the purchase price when needed to carry out this Agreement upon the death [or disability] of a Partner;

NOW THEREFORE, in consideration of the mutual covenants to buy and sell and the performance thereof expressed herein by the parties, this Agreement shall be binding on the Partnership as an entity, its successors and assigns, and on the Partners individually, their heirs, executors, administrators and assigns, and the Partners jointly and severally agree hereto as follows:

- 1. RESTRICTION ON PARTNERSHIP TRANSFER.** Except in the normal course of business, no Partner shall sell, assign, transfer pledge, dispose of or otherwise encumber any of his/her respective interest in the Partnership by sale or otherwise except as provided below.

2. **SALE DURING LIFETIME.** In the event a Partner desires to sell his/her interest in the Partnership during his/her lifetime, he/she shall be precluded from selling the Partnership interest to any person or institution until he/she has offered to sell it to the Partnership at the price and under the terms provided in Article 5. and 6. of this Agreement. If the offer to sell has been rejected or has not been accepted by the Partnership within _____ days after the offer was made, then the Partner desiring to sell shall have the right to sell to such other person or institution; provided, however, that the purchase price shall not be less than that established under this Agreement without first offering it to the Partnership at such lesser price and allowing the Partnership _____ days to decide on purchasing the interest at such lesser price.

OPTIONAL ARTICLE PROVIDING FOR DISABILITY BUY-OUT

3. **OPTIONAL DISABILITY BUY-OUT.** In the event a Partner becomes "totally disabled" for the period specified in the individual disability buy-out policies listed in Schedule "B", then the Partnership shall purchase and the disabled Partner shall sell all the disabled Partner's interest in the Partnership now owned or hereafter acquired. For purposes of this Agreement, the term "total disability" shall be considered that disability of an insured Partner which is described and defined in the separate individual disability buy-out policies listed in Schedule "B" attached hereto. The Partnership shall purchase the disabled Partner's interest in the Partnership in accordance with the provisions of Articles 5. and 6. of this Agreement. The sale shall begin within _____ days after the collection of the disability proceeds from the policy or policies on the life of the Partner as listed in Schedule "B" of this Agreement.

In the event the disabled Partner ceases to be totally disabled after his/her interest has been sold but prior to the payment of the full purchase price, the remaining balance due to the disabled Partner shall continue to be paid pursuant to the installment terms of Article 6. of this Agreement.

In the event of the death of the disabled Partner after his/her interest has been sold but prior to the payment of the full purchase price, the remaining balance due to the disabled Partner shall continue to be paid pursuant to the installment terms of Article 6. of this Agreement.

4. **SALE AT DEATH.** Upon the death of any Partner, the Partnership shall purchase and the estate of the deceased Partner shall sell all the deceased Partner's interest in the Partnership, now owned or hereafter acquired. The sale shall occur within such time as the parties may agree, but in no event shall the sale begin more than _____ days after the qualification of the deceased Partner's legal representative. The purchase or sale price and the terms of payment for such stock shall be determined in accordance with the provisions of Articles 5. and 6. of this Agreement.
5. **VALUATION.** The value of an interest in the partnership of a deceased or withdrawing partner shall be the amount of said partner's capital account as maintained for financial accounting purposes adjusted to reflect appraised values as provided below and reduced by said partner's share of partnership liabilities, plus said partner's proportionate share of accrued net income of the partnership to the date of death or withdrawal, not previously credited to said partner's capital account except as included in said partner's drawing account.

All partnership assets shall be valued at book value except that the appraised value of machinery, equipment and real property shall be substituted for book value. The difference between the total appraisal value of machinery, equipment, and real property and their total depreciated book value

shall increase or decrease the partners capital accounts so maintained in the proportion of their interest in profits or losses of the partnership. The appraised value shall be determined as of the date of death or withdrawal of a partner and shall be made by an appraiser selected by agreement between the continuing partners and the withdrawing partner or the personal representative of the deceased partner. If they cannot agree upon an appraiser, the appraiser shall be chosen in accordance with the rules of the American Arbitration Association then in effect. No value in excess of book value shall be attributed to partnership goodwill.

For purposes of this Article, the book value of life insurance policies on the lives of the partners shall be the cash surrender values of such policies. The proceeds receivable by the partnership from any insurance on the life of a deceased partner shall be allocated solely to the surviving partners in the proportions in which they, in the aggregate, share in partnership profits. It is the express intent of the partners in carrying the life insurance to facilitate the retirement of the interest of a deceased partner. It is for this reason that the partners agree that the successor in interest of a deceased partner shall have no interest in the proceeds of a policy of insurance on the life of the deceased partner.

The balance, positive or negative in the drawing account of a deceased or withdrawing partner is to be treated as an obligation of the partnership to the partner or an obligation of the partner to the partnership, as the case may be. Any amount owed, whether to the partner or to the partnership, as reflected in the drawing account of a retiring, deceased, or expelled partner shall be paid within 90 days after the death, or withdrawal of the partner.

The continuing partners agree that they will proceed as expeditiously as possible to determine the value, pursuant to this Article, of the interest of the deceased or withdrawing partner.

[In the event the buy-out is triggered by the total disability of a Partner, the valuation method described above in this Article shall be applied as of the expiration of the waiting period specified in the individual disability buy-out policies listed in Schedule "B". Note to Attorney: This paragraph should be included if optional Article 3 has been included in the Agreement.]

6. **TERMS OF PURCHASE.** The Partnership upon receiving any life insurance proceeds (from the policy or policies listed in schedule "A" of this Agreement), [or disability proceeds (from the policy or policies listed in Schedule "B" of this Agreement)], by reason of the death [or disability], of the Partner must first apply the proceeds to the purchase price of the partner's interest. Any excess of the proceeds over the purchase price shall be retained by the Partnership.

In the event that the proceeds of any life insurance [or disability buy-out insurance] owned by the Partnership, and made part of this Agreement, are less than the purchase price, or in the event of a sale of Partnership interest during the selling Partner's lifetime, the balance of the purchase price shall be paid in _____ consecutive quarterly installments.

The installments shall begin as follows:

1. In the event of death of the Partner, within _____ days after the qualification of the deceased Partner's legal representative.
2. In the case of a lifetime sale, within _____ days after the acceptance of an offer to sell any Partnership interest pursuant to this Agreement.

3. [In the event of a sale triggered by the "total disability" of the Partner, within ____ days after the collection of the disability proceeds.]

The unpaid balance of the purchase price shall be evidenced by a series of negotiable notes with interest at ____ percent per annum on the unpaid balance. The purchaser shall have the right to pay any or all installments prior to the actual due date without penalty.

In the event of default in the payment of principal or interest for a period of ____ days, all notes shall become due and payable at the election of the holder.

Each note shall be secured in a manner that is acceptable to all the parties of this Agreement.

[In determining the rate of interest on the unpaid balance or the note, the parties should be aware of the provisions of Section 483 of the I.R. C.]

7. TRANSFER OF PARTNERSHIP INTEREST AND CONTINUATION OF PARTNERSHIP.

Upon receipt of the purchase price in cash and/or notes, as provided in this Agreement, the Partner or his/her legal representative shall transfer the interest in the Partnership, including the right to continue use of the Partnership name, to the purchaser. Thereafter, the selling Partner or estate of the deceased Partner shall have no further rights or interest in the Partnership or its assets and shall be under no further liability with regard to obligations of the Partnership. During such period all profits and losses of the Partnership shall accrue to the Partnership.

Upon the death, [disability], retirement or a withdrawal of a Partner, the Partnership shall continue without interruption and control and management of the Partnership shall be preserved in the remaining or surviving Partner(s).

8. INSURANCE ON THE PARTNERS' LIVES. The Partnership shall apply for and be the owner of life insurance [and disability buy-out insurance] on the lives of each of the Partners.

Additionally, to secure performance of the Agreement the Partnership shall be empowered to purchase, from time to time, additional insurance on the lives of any of the other parties to this Agreement or anyone who may hereafter become a party to this Agreement. The Partnership shall possess the same rights with regard to these new policies as exist with respect to previously issued policies.

All life insurance policies pertaining to this Agreement shall be listed on Schedule "A" attached hereto.

[All disability buy-out policies pertaining to this Agreement shall be listed on Schedule "B" attached hereto.]

The Partnership agrees to pay the first and all subsequent premiums as they become due and if so requested to give proof of payment to the insured within ____ days after the due date of the premium. In the event the premium is not paid within ____ days after its due date, the insured may make the payment, which shall be considered a loan and in which event the insured shall be reimbursed by the Partnership. The policyowner agrees to take all necessary actions to allow disclosure of information to the insured pertaining to the policies insuring his/her life.

No party to this Agreement shall execute any loans against, impair or in any manner encumber any of the above policies to the detriment of this Agreement without the written consent of the other parties, except that the Partnership may exercise any dividend options or dividend rights provided by any policy without obtaining the consent of any of the other parties to this Agreement.

No portion of tax exempt life insurance death proceeds received by the Partnership shall be allocated to a deceased Partner nor to his/her distributive share of income under the Articles of Partnership, but shall rather be allocated solely to the surviving Partner(s).

9. **RIGHT TO PURCHASE LIFE INSURANCE.** In the event a Partner sells all of his/her stock in the Partnership during his/her lifetime [including disability], he/she shall have the right to purchase, within _____ days after the transfer of the Partnership interest, all contracts of life insurance on his/her life appertaining to this Agreement. Further, upon termination of this Agreement for any reason, each Partner shall have the right to purchase, within _____ days thereafter, all contracts of life insurance on his/her life appertaining to this Agreement.

In either circumstance, the purchase price shall be, as of the date of the purchase, the sum of any unearned premium plus the total cash value of the policy, if any, including the cash value of all dividends standing to the credit of the policy, less any indebtedness. If the right to purchase said policy(s) is not exercised, the Partnership shall have the privilege of holding or disposing of said policy(s) at its discretion.

On payment of the price by the purchaser, the Partnership should execute such assignments or releases as may reasonably be required to effect the complete transfer of title to the policy to the purchaser.

ALTERNATE ARTICLE PROVIDING FOR DISPOSITION OF DISABILITY INCOME POLICIES

10. **DISPOSITION OF DISABILITY INSURANCE.** Upon termination of this Agreement the insured, if still living, shall have the right to exercise the exchange privilege provision or the transfer of ownership provision according to the terms contained in the disability buy-out insurance policy subject to this Agreement. If the insured does not exercise this right within _____ days after the termination of the Agreement, the Partnership shall have the right to dispose of the disability buy-out insurance policy subject to this Agreement.
11. **PARTNERSHIP ELECTION TO ADJUST ASSET BASIS.** The parties agree that upon the death, [disability], retirement, or withdrawal of any Partner, the Partnership shall make the election provided under the IRC sec. 754, to adjust the basis of partnership assets to reflect the payments made hereunder.
12. **EXECUTION OF INSTRUMENTS TO EFFECT THE TERMS OF THE AGREEMENT.** The parties hereto, for themselves, their heirs, executors, administrators, successors and assigns, agree to execute any and all instruments necessary to carry out the terms of this Agreement.
13. **AMENDMENT OR ALTERATIONS.** This Agreement may be amended or altered in whole or in part at any time by filing with this Agreement a written instrument setting forth such changes and

signed by the Partners and Partnership, who are parties to this Agreement. The signature by the Partnership shall be by its proper officers.

14. TERMINATION. This Agreement shall terminate upon the occurrence of any of the following events:

1. Cessation of the business; or
2. Bankruptcy or receivership of any Partner, or the Partnership; or
3. Mutual agreement of the Partners; or
4. Failure of the Partner or Partnership to pay or provide for any uninsured purchase balance upon any installment sale elected under this Agreement; or
5. Death of all Partners within a period of ____ days.

15. NOTICE. All notices, including offers or acceptances, shall be deemed received, if provided in writing and delivered in person to the other party, or mailed by certified or registered mail to the last known address of that party.

16. REMEDIES FOR FAILURE TO PERFORM. If a party to the Agreement defaults or fails to complete his/her obligation under this Agreement, then such offended party may, at his/her option, seek damages, or obtain specific performance of the Agreement from a court of competent jurisdiction.

17. LIABILITY OF INSURER. It is understood by the parties to this Agreement that in issuing policies of insurance pursuant to this Agreement, Principal Life Insurance Company shall have no liability except as set forth in the policies. Said Insurer shall not be bound to inquire into or take notice of any of the covenants herein contained as to policies of insurance, or as to the application of the proceeds of such policies. Rights under a policy may be exercised during the life of the Insured pursuant to the provisions of the policy. Upon payment by said Insurer pursuant to the terms of any policy, the Insurer shall be discharged from all liability without regard to this Agreement or any amendment thereto.

The parties to this Agreement shall decide who will act on behalf of the Partnership with respect to the policies. This individual will notify the Insurer of his or her authority.

18. GOVERNING LAW. This Agreement shall be governed by the laws of the state of _____.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals the day and year above written.

(Formalities of execution will
be governed by local law and
should be in accordance therewith.)

(Signature of Partner)
Name

(Signature of Partner)
Name

(Partnership)

By (Signature of Officer)
Name

ACCEPTANCE OF AGREEMENT

I, (Name), spouse of (Partner), have read the foregoing Agreement and I agree to the provisions relating to the sale of a Partner's Partnership interest and I do agree that the provisions shall be binding on me while this Agreement may remain in effect.

This acceptance is executed by me at the same time my spouse is executing the said Agreement.

(Signature of Spouse)
(Name)

SCHEDULE "A"
Life Insurance Policies

<u>Insured</u>	<u>Insurer</u>	<u>Policy No.</u>	<u>Amount</u>
----------------	----------------	-------------------	---------------

<u>Insured</u>	<u>Insurer</u>	<u>Policy No.</u>	<u>Amount</u>
----------------	----------------	-------------------	---------------

SCHEDULE "B"
Disability Insurance Policies

<u>Insured</u>	<u>Insurer</u>	<u>Policy No.</u>	<u>Amount</u>
----------------	----------------	-------------------	---------------

<u>Insured</u>	<u>Insurer</u>	<u>Policy No.</u>	<u>Amount</u>
----------------	----------------	-------------------	---------------