

# REAL ESTATE PARTNERSHIP AGREEMENT

**Partnership Name:** [PARTNERSHIP NAME] **Governing State:** [STATE] **Effective Date:**

This Real Estate Partnership Agreement (this "Agreement") is entered into as of (the "Effective Date") by and among the partners identified in Section 2 (the "Partners") to form and govern [PARTNERSHIP NAME] (the "Partnership") to acquire, own, operate, and (where applicable) develop or sell the Property described below, under the laws of the State of [STATE].

## 1. Formation, Name, and Purpose

**Name:** [PARTNERSHIP NAME]. **Principal office:** [PRINCIPAL OFFICE ADDRESS]. **Governing law:** [STATE].

**Purpose.** The Partnership is formed for the limited purpose of acquiring, owning, operating, and (as applicable) developing, managing, leasing, financing, refinancing, and selling the real property described in Section 3 (the "Property"), and engaging in activities reasonably incidental thereto. Additional purpose: [BUSINESS PURPOSE].

**Term.** At-will until dissolved.

**⚠ Entity-selection caution.** A real estate partnership organized as a general partnership exposes all partners to **joint and several unlimited personal liability** for Property-related claims (including tort claims from tenants or visitors, environmental liabilities, and financing obligations). Before closing on the Property, the Partners are strongly encouraged to consider organizing as a **limited partnership (LP)** or converting the Partnership into a **limited liability company (LLC)** — or holding title through a single-purpose nominee LLC — to isolate liability.

## 2. Partners and Capital

Partner	Address	Class	Contribution	Profit/Loss Share
[PARTNER 1 FULL LEGAL NAME]	[PARTNER 1 ADDRESS]	General Partner	\$0.00	50%
[PARTNER 2 FULL LEGAL NAME]	[PARTNER 2 ADDRESS]	General Partner	\$0.00	50%

- [PARTNER 1 FULL LEGAL NAME]: Cash contribution only.
- [PARTNER 2 FULL LEGAL NAME]: Cash contribution only.

## 3. The Property

**Address:** [PROPERTY ADDRESS].

**Legal description:**

| *[PROPERTY LEGAL DESCRIPTION]*

**Purchase price.** Approximately **\$0.00**, subject to diligence, financing, and closing adjustments.

**Investment strategy. Buy And Hold.** Holding period, capex profile, and exit strategy shall be consistent with this strategy unless changed by the vote in Section 5.

**Title.** Title to the Property shall be held in the name of the Partnership.

#### **4. Financing; Personal Guaranty**

**Financing.** The Property acquisition shall be financed by **Conventional Mortgage**. No Partner personally guarantees the Partnership's financing. All debt shall be non-recourse to the Partners to the maximum extent commercially available.

#### **5. Management and Reserved Matters**

**Equal management** among all Partners.

**Ordinary decisions:** any Partner acting alone.

**Reserved matters — unanimous consent:** sale or refinancing of the Property; material changes to the investment strategy; capital expenditures exceeding **\$25,000.00**; leasing more than 25% of the Property to a single tenant; taking on additional debt; admitting a new Partner; dissolving the Partnership; changing Property management arrangements; filing or settling material litigation.

#### **6. Capital Calls for Property Needs**

If the Property requires additional capital for (a) debt service shortfalls, (b) emergency repairs, (c) property taxes or insurance, or (d) scheduled capital expenditures, any Partner may issue a capital call pro rata by profit-share on 30 days' written notice. A Partner who fails to fund within the notice period shall be subject to dilution at a penalty rate of 1.5× the defaulted amount, or, at the election of the non-defaulting Partners, may have the shortfall treated as a loan from the funding Partners bearing interest at the higher of 10% per annum or AFR + 5%.

#### **7. Preferred Return and Distribution Waterfall**

**Preferred return.** Capital contributions shall accrue a preferred return at **8%** per annum, simple, compounded annually (the "Preferred Return"), paid in priority over additional profits. Unpaid Preferred Return shall accrue until paid in full.

**Distribution waterfall.**

1. **First**, to Partners pro rata for accrued, unpaid Preferred Return;

2. **Second**, to Partners pro rata for unreturned capital contributions;
3. **Third**, to Partners in proportion to their Profit/Loss Share percentages (the "Back-End Split").

## 8. Property Management

Day-to-day Property management (leasing, tenant relations, maintenance, vendors) shall be performed by a licensed property manager engaged by the Partnership. A property management fee equal to **8%** of gross collected rents shall be paid to the property manager. The fee is a Partnership expense payable before distribution of profits.

## 9. Tax Matters Specific to Real Estate

**§704(b) capital accounts; §704(c) contributed property.** Maintained per Treas. Reg. §1.704-1(b)(2)(iv); built-in gain/loss allocated to contributing Partner per §704(c).

**Depreciation.** Straight-line MACRS (27.5 years residential; 39 years nonresidential; 15 years qualified improvement property where applicable). Depreciation allocated pro rata to Profit/Loss Share, subject to minimum-gain chargeback and qualified-income-offset under Treas. Reg. §1.704-2 to preserve substantial economic effect.

**Recapture.** On sale, §§1245 and 1250 recapture is allocated in the same proportion as underlying depreciation to the maximum extent permitted by Treas. Reg. §1.1245-1(e).

**IRC §1031 cooperation.** If a Partner desires a like-kind exchange under IRC §1031 as part of an exit, the other Partners shall reasonably cooperate (qualified-intermediary documents, exchange-accommodation titleholder documents), provided the exchanging Partner bears all incremental costs and no delay or additional liability is imposed. The Partners acknowledge §1031 is limited to real property post-TCJA, and "drop-and-swap" transitions out of the Partnership must be carefully structured to avoid the "held for investment" problem under the Magnuson / Bolker line.

**SE tax note.** Passive rental income is generally not SE income under IRC §1402. Active development, dealer (inventory) activity, and certain services (short-term lodging, substantial services) can convert income to SE income. Each Partner shall obtain independent tax advice.

**Partnership Representative. PR: [PARTNERSHIP REPRESENTATIVE BBA IRC 6223].**

## 10. Insurance and Environmental

**Insurance.** The Partnership shall maintain: (a) property/hazard insurance at replacement cost; (b) commercial general liability with limits of not less than \$1,000,000 per occurrence and \$2,000,000 aggregate; (c) flood insurance where applicable; (d) landlord / loss-of-rents for income-producing property; and (e) umbrella coverage as prudent.

**Environmental.** The Partnership shall obtain a Phase I Environmental Site Assessment before acquisition (Phase II where indicated) and shall comply with CERCLA and all applicable environmental laws. No Partner shall use the Property for any activity that would constitute a "facility" under CERCLA §101(9) or generate reportable quantities of hazardous substances without unanimous written consent.

**Fair Housing.** For residential rental property, the Partnership shall comply with the federal Fair Housing Act (42 U.S.C. §3601 et seq.) and all applicable state and local fair-housing laws in marketing, leasing, and operating the Property.

## 11. Banking and Books

Bank at [PARTNERSHIP BANK FINANCIAL INSTITUTION NAME]. Method: **Cash**. Fiscal year ends December 31. Form 1065 and K-1s issued annually.

## 12. Transfer Restrictions; Withdrawal; Buy-Out

**No transfer without consent.** No Partner shall transfer any part of the Partner's interest without unanimous consent.

**ROFR** on third-party offers.

**Voluntary withdrawal** on 60 days' notice.

**Valuation:** Independent real estate appraiser (three-appraiser average if disputed).

**Payment:** installments over 36 months at AFR.

## 13. Restrictive Covenants

**Non-solicit** — 18 months.

**Confidentiality.** Standard.

## 14. Liability Disclosure

## 15. Dissolution, Sale of Property, Wind-Up

**Sale of the Property = Partnership wind-up (default).** Unless the Partners unanimously elect to reinvest, sale of the Property triggers wind-up: creditors paid first, then Partner loans, then capital accounts per the waterfall in Section 7, then residual per Profit/Loss Share.

**Dissolution triggers:** sale of Property without reinvestment election; unanimous vote; expiration of fixed term; judicial dissolution; loss of Property by condemnation or casualty without rebuilding.

## 16. Dispute Resolution and General

**Mediation** → **AAA arbitration** in [VENUE CITY], [STATE].

Governing law: [STATE]. Amendment by unanimous. Counterparts; ESIGN; written notices.

### Signatures

#### Partner 1

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PRINTED NAME

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SIGNATURE

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DATE

#### Partner 2

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PRINTED NAME

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SIGNATURE

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DATE