

**PARTNERSHIP WINDING UP
AND TAX LIQUIDATION AGREEMENT**

This Partnership Winding Up and Tax Liquidation Agreement (the "Agreement") is entered into and made effective as of this _____ day of _____, 20____, by and among the undersigned partners:

Partner A: _____ residing at _____

Partner B: _____ residing at _____

Partner C: _____ residing at _____

Collectively referred to hereinafter as the "Partners," who were associated in a general partnership operating under the name of _____ (the "Partnership"), pursuant to a Partnership Agreement dated _____, 20____.

RECITALS

WHEREAS, the Partners have mutually agreed to dissolve the Partnership and wind up its business affairs; and

WHEREAS, the Partners desire to outline the terms of the winding up process, the liquidation of partnership assets, the settlement of outstanding debts, and the proper handling of federal, state, and local tax obligations; and

WHEREAS, the Partners intend for this Agreement to govern the final distribution of assets and allocation of liabilities in accordance with applicable tax regulations;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the Partners agree as follows:

1. DISSOLUTION OF THE PARTNERSHIP

The Partnership is hereby dissolved effective as of _____, 20____. Except as necessary to wind up the business affairs, no Partner shall conduct any business or incur any liabilities in the name of or on behalf of the Partnership after said date.

2. APPOINTMENT OF LIQUIDATING PARTNER

The Partners hereby appoint _____ as the Liquidating Partner. The Liquidating Partner shall have the authority to manage the winding up of the Partnership's affairs, collect outstanding receivables, liquidate physical and intangible assets, pay creditors, and make final distributions as detailed herein.

3. ASSET LIQUIDATION AND VALUATION

- A. The Liquidating Partner shall prepare or cause to be prepared an inventory of all remaining assets of the Partnership as of the date of dissolution.
- B. Assets shall be valued at their fair market value as determined by _____.
- C. The assets shall be sold or distributed in kind to the Partners as agreed below:

4. PAYMENT OF DEBTS AND ALLOCATION OF LIABILITIES

The Partnership's assets shall be applied to pay obligations in the following order of priority:

- 1. Payment of all creditors of the Partnership, excluding Partners, in satisfaction of liabilities other than for distributions.
- 2. Establishment of a reserve fund in the amount of \$ _____ to cover any unforeseen or contingent liabilities, which shall be

held in escrow by _____ for a period of _____ months.

3. Payment of debts owed to Partners for loans or advances made to the Partnership.

5. TAX LIQUIDATION, FILINGS, AND ALLOCATIONS

- A. **Tax Capital Accounts:** The Partners' tax capital accounts shall be adjusted to reflect the gain or loss that would have been realized if all remaining assets had been sold for their fair market value as of the dissolution date.
- B. **Final Tax Returns:** The Partners agree to cause the preparation and filing of the final partnership tax returns (IRS Form 1065 and corresponding state and local forms) for the tax year ending on the final liquidation date. The cost of preparation shall be paid from Partnership funds.
- C. **Schedule K-1s:** The Partners shall receive their final Schedule K-1s showing their respective shares of income, gain, loss, deduction, or credit up to the date of dissolution.
- D. **Tax Withholding and Reserves:** The Liquidating Partner is authorized to withhold from any distribution such amounts as may be required by law for tax liabilities of the Partnership or any Partner, including but not limited to _____.

6. FINAL DISTRIBUTION OF REMAINING ASSETS

Following the satisfaction of all liabilities and the establishment of reserves as set forth in Sections 4 and 5, the remaining assets or cash of the Partnership shall be distributed to the Partners in accordance with their positive capital account balances as follows:

- Partner A: _____ % / \$ _____
- Partner B: _____ % / \$ _____
- Partner C: _____ % / \$ _____

7. MUTUAL RELEASE AND INDEMNIFICATION

Upon the final distribution of all assets and completion of the tax liquidation process, the Partners, for themselves and their respective heirs, successors, and assigns, hereby release and discharge each other from any and all claims, demands, or liabilities arising out of or related to the Partnership, except for obligations arising under this Agreement or for fraud or willful misconduct.

8. GOVERNING LAW

This Agreement shall be construed and enforced in accordance with the laws of the State of _____, without regard to its conflict of law principles.

IN WITNESS WHEREOF, the Partners have executed this Partnership Winding Up and Tax Liquidation Agreement as of the date first written above.

Partner Signature

Print Name: _____

Date: _____

Partner Signature

Print Name: _____

Date: _____

Partner Signature

Print Name: _____

Date: _____

Liquidating Partner Signature (if applicable)

Print Name: _____

Date: _____