

# GUARANTEED PAYMENT AGREEMENT

This Guaranteed Payment Agreement (the "Agreement") is entered into and made effective as of \_\_\_\_\_, by and between the partnership known as \_\_\_\_\_ (the "Partnership") and \_\_\_\_\_ (the "Partner").

## RECITALS

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WHEREAS, the Partner is a partner of the Partnership and provides valuable services and/or capital to or for the benefit of the Partnership; and

WHEREAS, the Partners of the Partnership have agreed to provide the Partner with a guaranteed payment in exchange for such services and/or capital, in accordance with Section 707(c) of the Internal Revenue Code of 1986, as amended;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

## 1. GUARANTEED PAYMENT TERMS

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- 1. Payment Amount:** The Partnership shall pay to the Partner a guaranteed payment in the amount of \$ \_\_\_\_\_ per \_\_\_\_\_.
- 2. Frequency of Payment:** Payments shall be made on the \_\_\_\_\_ day of each \_\_\_\_\_.
- 3. Commencement Date:** Payments under this Agreement shall commence on \_\_\_\_\_.

## 2. TAX TREATMENT AND CHARACTERIZATION

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1. The parties intend and agree that all payments made under this Agreement are guaranteed payments within the meaning of Section 707(c) of the Internal Revenue Code.
2. Such payments shall be determined without regard to the income of the Partnership and shall be treated as made to one who is not a member of the Partnership, solely for the purposes of Section 61(a) (relating to gross income) and Section 162(a) (relating to trade or business expenses).
3. The Partner is solely responsible for all federal, state, and local income taxes and self-employment taxes arising from these guaranteed payments.

## 3. SOURCE OF PAYMENTS

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The guaranteed payments shall be paid from the general assets of the Partnership. The Partner's right to receive these payments is not contingent upon the Partnership generating profits or net income for any period.

## 4. TERM AND TERMINATION

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This Agreement shall remain in full force and effect until \_\_\_\_\_, unless terminated earlier by the mutual written consent of the parties or upon the withdrawal or dissociation of the Partner from the Partnership.

## 5. GOVERNING LAW

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This Agreement shall be governed by, and construed in accordance with, the laws of the State of \_\_\_\_\_, without giving effect to any choice of law principles.

## 6. ENTIRE AGREEMENT

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This Agreement constitutes the entire understanding between the parties regarding the subject matter hereof and supersedes all prior agreements, representations, or understandings, whether oral or written.

IN WITNESS WHEREOF, the parties hereto have executed this Guaranteed Payment Agreement as of the date first written above.

**PARTNERSHIP:**

**PARTNER:**

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

Signature

Title: \_\_\_\_\_

Name: \_\_\_\_\_