



- 1 Section 106 Law governing internal relations.  
2 Section 107 Partnership subject to amendment or repeal of chapter.

3 NEW SECTION. **Sec. 101.** DEFINITIONS. In this chapter:

4 (1) "Business" includes every trade, occupation, and profession.

5 (2) "Debtor in bankruptcy" means a person who is the subject of:

6 (a) An order for relief under Title 11 of the United States Code or  
7 a comparable order under a successor statute of general application; or

8 (b) A comparable order under federal, state, or foreign law  
9 governing insolvency.

10 (3) "Distribution" means a transfer of money or other property from  
11 a partnership to a partner in the partner's capacity as a partner or to  
12 the partner's transferee.

13 (4) "Partnership" means an association of two or more persons to  
14 carry on as coowners a business for profit formed under section 202 of  
15 this act, predecessor law, or comparable law of another jurisdiction.

16 (5) "Partnership agreement" means the agreement, whether written,  
17 oral, or implied, among the partners concerning the partnership,  
18 including amendments to the partnership agreement.

19 (6) "Partnership at will" means a partnership in which the partners  
20 have not agreed to remain partners until the expiration of a definite  
21 term or the completion of a particular undertaking.

22 (7) "Partnership interest" or "partner's interest in the  
23 partnership" means all of a partner's interests in the partnership,  
24 including the partner's transferable interest and all management and  
25 other rights.

26 (8) "Person" means an individual, corporation, business trust,  
27 estate, trust, partnership, association, joint venture, government,  
28 governmental subdivision, agency, or instrumentality, or any other  
29 legal or commercial entity.

30 (9) "Property" means all property, real, personal, or mixed,  
31 tangible or intangible, or any interest therein.

32 (10) "State" means a state of the United States, the District of  
33 Columbia, the Commonwealth of Puerto Rico, or any territory or insular  
34 possession subject to the jurisdiction of the United States.

35 (11) "Statement" means a statement of partnership authority under  
36 section 303 of this act, a statement of denial under section 304 of  
37 this act, a statement of dissociation under section 704 of this act, a

1 statement of dissolution under section 805 of this act, a statement of  
2 merger under section 907 of this act, or an amendment or cancellation  
3 of any of the foregoing.

4 (12) "Transfer" includes an assignment, conveyance, lease,  
5 mortgage, deed, and encumbrance.

6 NEW SECTION. Sec. 102. KNOWLEDGE AND NOTICE. (1) A person knows  
7 a fact if the person has actual knowledge of it.

8 (2) A person has notice of a fact if the person:

9 (a) Knows of it;

10 (b) Has received a notification of it; or

11 (c) Has reason to know it exists from all of the facts known to the  
12 person at the time in question.

13 (3) A person notifies or gives a notification to another by taking  
14 steps reasonably required to inform the other person in ordinary  
15 course, whether or not the other person learns of it.

16 (4) A person receives a notification when the notification:

17 (a) Comes to the person's attention; or

18 (b) Is duly delivered at the person's place of business or at any  
19 other place held out by the person as a place for receiving  
20 communications.

21 (5) Except as otherwise provided in subsection (6) of this section,  
22 a person other than an individual knows, has notice, or receives a  
23 notification of a fact for purposes of a particular transaction when  
24 the individual conducting the transaction knows, has notice, or  
25 receives a notification of the fact, or in any event when the fact  
26 would have been brought to the individual's attention if the person had  
27 exercised reasonable diligence. The person exercises reasonable  
28 diligence if it maintains reasonable routines for communicating  
29 significant information to the individual conducting the transaction  
30 and there is reasonable compliance with the routines. Reasonable  
31 diligence does not require an individual acting for the person to  
32 communicate information unless the communication is part of the  
33 individual's regular duties or the individual has reason to know of the  
34 transaction and that the transaction would be materially affected by  
35 the information.

36 (6) A partner's knowledge, notice, or receipt of a notification of  
37 a fact relating to the partnership is effective immediately as  
38 knowledge by, notice to, or receipt of a notification by the

1 partnership, except in the case of a fraud on the partnership committed  
2 by or with the consent of that partner.

3 NEW SECTION. **Sec. 103.** EFFECT OF PARTNERSHIP AGREEMENT--  
4 NONWAIVABLE PROVISIONS. (1) Except as otherwise provided in subsection  
5 (2) of this section, relations among the partners and between the  
6 partners and the partnership are governed by the partnership agreement.  
7 To the extent the partnership agreement does not otherwise provide,  
8 this chapter governs relations among the partners and between the  
9 partners and the partnership.

10 (2) The partnership agreement may not:

11 (a) Vary the rights and duties under section 105 of this act except  
12 to eliminate the duty to provide copies of statements to all of the  
13 partners;

14 (b) Unreasonably restrict the right of access to books and records  
15 under section 403(2) of this act;

16 (c) Eliminate the duty of loyalty under section 404(2) or 603(2)(c)  
17 of this act, but:

18 (i) The partnership agreement may identify specific types or  
19 categories of activities that do not violate the duty of loyalty, if  
20 not manifestly unreasonable; or

21 (ii) All of the partners or a number or percentage specified in the  
22 partnership agreement may authorize or ratify, after full disclosure of  
23 all material facts, a specific act or transaction that otherwise would  
24 violate the duty of loyalty;

25 (d) Unreasonably reduce the duty of care under section 404(3) or  
26 603(2)(c) of this act;

27 (e) Eliminate the obligation of good faith and fair dealing under  
28 section 404(4) of this act, but the partnership agreement may  
29 prescribe the standards by which the performance of the obligation is  
30 to be measured, if the standards are not manifestly unreasonable;

31 (f) Vary the power to dissociate as a partner under section 602(1)  
32 of this act, except to require the notice under section 601(1) of this  
33 act to be in writing;

34 (g) Vary the right of a court to expel a partner in the events  
35 specified in section 601(5) of this act;

36 (h) Vary the requirement to wind up the partnership business in  
37 cases specified in section 801 (4), (5), or (6) of this act; or

38 (i) Restrict the rights of third parties under this chapter.

1        NEW SECTION.    **Sec. 104.**    SUPPLEMENTAL PRINCIPLES OF LAW.    (1)  
2 Unless displaced by particular provisions of this chapter, the  
3 principles of law and equity supplement this chapter.

4        (2) If an obligation to pay interest arises under this chapter and  
5 the rate is not specified, the rate is that specified in the  
6 appropriate Washington statute.

7        NEW SECTION.    **Sec. 105.**    EXECUTION, FILING, AND RECORDING OF  
8 STATEMENTS.    (1) A statement may be filed in the office of the  
9 secretary of state. A certified copy of a statement that is filed in  
10 an office in another state may be filed in the office of the secretary  
11 of state. Either filing has the effect provided in this chapter with  
12 respect to partnership property located in or transactions that occur  
13 in this state.

14        (2) A certified copy of a statement that has been filed in the  
15 office of the secretary of state and recorded in the office for  
16 recording transfers of real property has the effect provided for  
17 recorded statements in this chapter. A recorded statement that is not  
18 a certified copy of a statement filed in the office of the secretary of  
19 state does not have the effect provided for recorded statements in this  
20 chapter.

21        (3) A statement filed by a partnership must be executed by at least  
22 two partners. Other statements must be executed by a partner or other  
23 person authorized by this chapter. An individual who executes a  
24 statement as, or on behalf of, a partner or other person named as a  
25 partner in a statement shall personally declare under penalty of  
26 perjury that the contents of the statement are accurate.

27        (4) A person authorized by this chapter to file a statement may  
28 amend or cancel the statement by filing an amendment or cancellation  
29 that names the partnership, identifies the statement, and states the  
30 substance of the amendment or cancellation.

31        (5) A person who files a statement pursuant to this section shall  
32 promptly send a copy of the statement to every nonfiling partner and to  
33 any other person named as a partner in the statement. Failure to send  
34 a copy of a statement to a partner or other person does not limit the  
35 effectiveness of the statement as to a person not a partner.

36        (6) The secretary of state may collect a fee for filing or  
37 providing a certified copy of a statement. The officer responsible for

1 recording transfers of real property may collect a fee for recording a  
2 statement.

3 NEW SECTION. **Sec. 106.** LAW GOVERNING INTERNAL RELATIONS. The law  
4 of the jurisdiction in which a partnership has its chief executive  
5 office governs relations among the partners and between the partners  
6 and the partnership.

7 NEW SECTION. **Sec. 107.** PARTNERSHIP SUBJECT TO AMENDMENT OR REPEAL  
8 OF CHAPTER. A partnership governed by this chapter is subject to any  
9 amendment to or repeal of this chapter.

## 10 **ARTICLE 2**

### 11 **NATURE OF PARTNERSHIP**

12 Section 201 Partnership as entity.  
13 Section 202 Formation of partnership.  
14 Section 203 Partnership property.  
15 Section 204 When property is partnership property.

16 NEW SECTION. **Sec. 201.** PARTNERSHIP AS ENTITY. A partnership is  
17 an entity distinct from its partners.

18 NEW SECTION. **Sec. 202.** FORMATION OF PARTNERSHIP. (1) Except as  
19 otherwise provided in subsection (2) of this section, the association  
20 of two or more persons to carry on as coowners a business for profit  
21 forms a partnership, whether or not the persons intend to form a  
22 partnership.

23 (2) An association formed under a statute other than this chapter,  
24 a predecessor statute, or a comparable statute of another jurisdiction  
25 is not a partnership under this chapter.

26 (3) In determining whether a partnership is formed, the following  
27 rules apply:

28 (a) Joint tenancy, tenancy in common, tenancy by the entirety,  
29 joint property, common property, or part ownership does not by itself  
30 establish a partnership, even if the coowners share profits made by the  
31 use of the property.

1 (b) The sharing of gross returns does not by itself establish a  
2 partnership, even if the persons sharing them have a joint or common  
3 right or interest in property from which the returns are derived.

4 (c) A person who receives a share of the profits of a business is  
5 presumed to be a partner in the business, unless the profits were  
6 received in payment:

7 (i) Of a debt by installments or otherwise;

8 (ii) For services as an independent contractor or of wages or other  
9 compensation to an employee;

10 (iii) Of rent;

11 (iv) Of an annuity or other retirement benefit to a beneficiary,  
12 representative, or designee of a deceased or retired partner;

13 (v) Of interest or other charge on a loan, even if the amount of  
14 payment varies with the profits of the business, including a direct or  
15 indirect present or future ownership of the collateral, or rights to  
16 income, proceeds, or increase in value derived from the collateral; or

17 (vi) For the sale of the goodwill of a business or other property  
18 by installments or otherwise.

19 NEW SECTION. **Sec. 203.** PARTNERSHIP PROPERTY. Property acquired  
20 by a partnership is property of the partnership and not of the partners  
21 individually.

22 NEW SECTION. **Sec. 204.** WHEN PROPERTY IS PARTNERSHIP PROPERTY.  
23 (1) Property is partnership property if acquired in the name of:

24 (a) The partnership; or

25 (b) One or more partners with an indication in the instrument  
26 transferring title to the property of the person's capacity as a  
27 partner or of the existence of a partnership but without an indication  
28 of the name of the partnership.

29 (2) Property is acquired in the name of the partnership by a  
30 transfer to:

31 (a) The partnership in its name; or

32 (b) One or more partners in their capacity as partners in the  
33 partnership, if the name of the partnership is indicated in the  
34 instrument transferring title to the property.

35 (3) Property is presumed to be partnership property if purchased  
36 with partnership assets, even if not acquired in the name of the  
37 partnership or of one or more partners with an indication in the

1 instrument transferring title to the property of the person's capacity  
2 as a partner or of the existence of a partnership.

3 (4) Property acquired in the name of one or more of the partners,  
4 without an indication in the instrument transferring title to the  
5 property of the person's capacity as a partner or of the existence of  
6 a partnership and without use of partnership assets, is presumed to be  
7 separate property, even if used for partnership purposes.

8 **ARTICLE 3**

9 **RELATIONS OF PARTNERS TO**

10 **PERSONS DEALING WITH PARTNERSHIP**

11 Section 301 Partner agent of partnership.  
12 Section 302 Transfer of partnership property.  
13 Section 303 Statement of partnership authority.  
14 Section 304 Statement of denial.  
15 Section 305 Partnership liable for partner's actionable conduct.  
16 Section 306 Partner's liability.  
17 Section 307 Actions by and against partnership and partners.  
18 Section 308 Liability of purported partner.

19 NEW SECTION. **Sec. 301.** PARTNER AGENT OF PARTNERSHIP. Subject to  
20 the effect of a statement of partnership authority under section 303 of  
21 this act:

22 (1) Each partner is an agent of the partnership for the purpose of  
23 its business. An act of a partner, including the execution of an  
24 instrument in the partnership name, for apparently carrying on in the  
25 ordinary course the partnership business or business of the kind  
26 carried on by the partnership binds the partnership, unless the partner  
27 had no authority to act for the partnership in the particular matter  
28 and the person with whom the partner was dealing knew or had received  
29 a notification that the partner lacked authority.

30 (2) An act of a partner which is not apparently for carrying on in  
31 the ordinary course the partnership business or business of the kind  
32 carried on by the partnership binds the partnership only if the act was  
33 authorized by the other partners.

34 NEW SECTION. **Sec. 302.** TRANSFER OF PARTNERSHIP PROPERTY.

35 (1) Partnership property may be transferred as follows:



1 (a) Subject to the effect of a statement of partnership authority  
2 under section 303 of this act, partnership property held in the name of  
3 the partnership may be transferred by an instrument of transfer  
4 executed by a partner in the partnership name.

5 (b) Partnership property held in the name of one or more partners  
6 with an indication in the instrument transferring the property to them  
7 of their capacity as partners or of the existence of a partnership, but  
8 without an indication of the name of the partnership, may be  
9 transferred by an instrument of transfer executed by the persons in  
10 whose name the property is held.

11 (c) Partnership property held in the name of one or more persons  
12 other than the partnership, without an indication in the instrument  
13 transferring the property to them of their capacity as partners or of  
14 the existence of a partnership, may be transferred by an instrument of  
15 transfer executed by the persons in whose name the property is held.

16 (2) A partnership may recover partnership property from a  
17 transferee only if it proves that execution of the instrument of  
18 initial transfer did not bind the partnership under section 301 of this  
19 act and:

20 (a) As to a subsequent transferee who gave value for property  
21 transferred under subsection (1)(a) or (b) of this section, proves that  
22 the subsequent transferee knew or had received a notification that the  
23 person who executed the instrument of initial transfer lacked authority  
24 to bind the partnership; or

25 (b) As to a transferee who gave value for property transferred  
26 under subsection (1)(c) of this section, proves that the transferee  
27 knew or had received a notification that the property was partnership  
28 property and that the person who executed the instrument of initial  
29 transfer lacked authority to bind the partnership.

30 (3) A partnership may not recover partnership property from a  
31 subsequent transferee if the partnership would not have been entitled  
32 to recover the property, under subsection (2) of this section, from any  
33 earlier transferee of the property.

34 (4) If a person holds all of the partners' interests in the  
35 partnership, all of the partnership property vests in that person. The  
36 person may execute a document in the name of the partnership to  
37 evidence vesting of the property in that person and may file or record  
38 the document.

1        NEW SECTION.    **Sec. 303.**    STATEMENT OF PARTNERSHIP AUTHORITY.    (1)

2    A partnership may file a statement of partnership authority, which:

3        (a) Must include:

4            (i) The name of the partnership;

5            (ii) The street address of its chief executive office and of one  
6 office in this state, if there is one;

7            (iii) The names and mailing addresses of all of the partners or of  
8 an agent appointed and maintained by the partnership for the purpose of  
9 subsection (2) of this section; and

10           (iv) The names of the partners authorized to execute an instrument  
11 transferring real property held in the name of the partnership; and

12        (b) May state the authority, or limitations on the authority, of  
13 some or all of the partners to enter into other transactions on behalf  
14 of the partnership and any other matter.

15        (2) If a statement of partnership authority names an agent, the  
16 agent shall maintain a list of the names and mailing addresses of all  
17 of the partners and make it available to any person on request for good  
18 cause shown.

19        (3) If a filed statement of partnership authority is executed  
20 pursuant to section 105(3) of this act and states the name of the  
21 partnership but does not contain all of the other information required  
22 by subsection (1) of this section, the statement nevertheless operates  
23 with respect to a person not a partner as provided in subsections (4)  
24 and (5) of this section.

25        (4) Except as otherwise provided in subsection (7) of this section,  
26 a filed statement of partnership authority supplements the authority of  
27 a partner to enter into transactions on behalf of the partnership as  
28 follows:

29           (a) Except for transfers of real property, a grant of authority  
30 contained in a filed statement of partnership authority is conclusive  
31 in favor of a person who gives value without knowledge to the contrary,  
32 so long as and to the extent that a limitation on that authority is not  
33 then contained in another filed statement. A filed cancellation of a  
34 limitation on authority revives the previous grant of authority.

35           (b) A grant of authority to transfer real property held in the name  
36 of the partnership contained in a certified copy of a filed statement  
37 of partnership authority recorded in the office for recording transfers  
38 of that real property is conclusive in favor of a person who gives  
39 value without knowledge to the contrary, so long as and to the extent

1 that a certified copy of a filed statement containing a limitation on  
2 that authority is not then of record in the office for recording  
3 transfers of that real property. The recording in the office for  
4 recording transfers of that real property of a certified copy of a  
5 filed cancellation of a limitation on authority revives the previous  
6 grant of authority.

7 (5) A person not a partner is deemed to know of a limitation on the  
8 authority of a partner to transfer real property held in the name of  
9 the partnership if a certified copy of the filed statement containing  
10 the limitation on authority is of record in the office for recording  
11 transfers of that real property.

12 (6) Except as otherwise provided in subsections (4) and (5) of this  
13 section and sections 704 and 805 of this act, a person not a partner is  
14 not deemed to know of a limitation on the authority of a partner merely  
15 because the limitation is contained in a filed statement.

16 (7) Unless earlier canceled, a filed statement of partnership  
17 authority is canceled by operation of law five years after the date on  
18 which the statement, or the most recent amendment, was filed with the  
19 secretary of state.

20 NEW SECTION. **Sec. 304.** STATEMENT OF DENIAL. A partner or other  
21 person named as a partner in a filed statement of partnership authority  
22 or in a list maintained by an agent pursuant to section 303(2) of this  
23 act may file a statement of denial stating the name of the partnership  
24 and the fact that is being denied, which may include denial of a  
25 person's authority or status as a partner. A statement of denial is a  
26 limitation on authority as provided in section 303 (4) and (5) of this  
27 act.

28 NEW SECTION. **Sec. 305.** PARTNERSHIP LIABLE FOR PARTNER'S  
29 ACTIONABLE CONDUCT. (1) A partnership is liable for loss or injury  
30 caused to a person, or for a penalty incurred, as a result of a  
31 wrongful act or omission, or other actionable conduct, of a partner  
32 acting in the ordinary course of business of the partnership or with  
33 authority of the partnership.

34 (2) If, in the course of the partnership's business or while acting  
35 with authority of the partnership, a partner receives or causes the  
36 partnership to receive money or property of a person not a partner, and

1 the money or property is misapplied by a partner, the partnership is  
2 liable for the loss.

3 NEW SECTION. **Sec. 306.** PARTNER'S LIABILITY. (1) Except as  
4 otherwise provided in subsection (2) of this section, all partners are  
5 liable jointly and severally for all obligations of the partnership  
6 unless otherwise agreed by the claimant or provided by law.

7 (2) A person admitted as a partner into an existing partnership is  
8 not personally liable for any partnership obligation incurred before  
9 the person's admission as a partner.

10 NEW SECTION. **Sec. 307.** ACTIONS BY AND AGAINST PARTNERSHIP AND  
11 PARTNERS. (1) A partnership may sue and be sued in the name of the  
12 partnership.

13 (2) An action may be brought against the partnership and any or all  
14 of the partners in the same action or in separate actions.

15 (3) A judgment against a partnership is not by itself a judgment  
16 against a partner. A judgment against a partnership may not be  
17 satisfied from a partner's assets unless there is also a judgment  
18 against the partner.

19 (4) A judgment creditor of a partner may not levy execution against  
20 the assets of the partner to satisfy a judgment based on a claim  
21 against the partnership unless:

22 (a) A judgment based on the same claim has been obtained against  
23 the partnership and a writ of execution on the judgment has been  
24 returned unsatisfied in whole or in part;

25 (b) The partnership is a debtor in bankruptcy;

26 (c) The partner has agreed that the creditor need not exhaust  
27 partnership assets;

28 (d) A court grants permission to the judgment creditor to levy  
29 execution against the assets of a partner based on a finding that  
30 partnership assets subject to execution are clearly insufficient to  
31 satisfy the judgment, that exhaustion of partnership assets is  
32 excessively burdensome, or that the grant of permission is an  
33 appropriate exercise of the court's equitable powers; or

34 (e) Liability is imposed on the partner by law or contract  
35 independent of the existence of the partnership.

1 (5) This section applies to any partnership liability or obligation  
2 resulting from a representation by a partner or purported partner under  
3 section 308 of this act.

4 NEW SECTION. **Sec. 308.** LIABILITY OF PURPORTED PARTNER. (1) If a  
5 person, by words or conduct, purports to be a partner, or consents to  
6 being represented by another as a partner, in a partnership or with one  
7 or more persons not partners, the purported partner is liable to a  
8 person to whom the representation is made, if that person, relying on  
9 the representation, enters into a transaction with the actual or  
10 purported partnership. If the representation, either by the purported  
11 partner or by a person with the purported partner's consent, is made in  
12 a public manner, the purported partner is liable to a person who relies  
13 upon the purported partnership even if the purported partner is not  
14 aware of being held out as a partner to the claimant. If partnership  
15 liability results, the purported partner is liable with respect to that  
16 liability as if the purported partner were a partner. If no  
17 partnership liability results, the purported partner is liable with  
18 respect to that liability jointly and severally with any other person  
19 consenting to the representation.

20 (2) If a person is thus represented to be a partner in an existing  
21 partnership, or with one or more persons not partners, the purported  
22 partner is an agent of persons consenting to the representation to bind  
23 them to the same extent and in the same manner as if the purported  
24 partner were a partner, with respect to persons who enter into  
25 transactions in reliance upon the representation. If all of the  
26 partners of the existing partnership consent to the representation, a  
27 partnership act or obligation results. If fewer than all of the  
28 partners of the existing partnership consent to the representation, the  
29 person acting and the partners consenting to the representation are  
30 jointly and severally liable.

31 (3) A person is not liable as a partner merely because the person  
32 is named by another in a statement of partnership authority.

33 (4) A person does not continue to be liable as a partner merely  
34 because of a failure to file a statement of dissociation or to amend a  
35 statement of partnership authority to indicate the partner's  
36 dissociation from the partnership.

1 (5) Except as otherwise provided in subsections (1) and (2) of this  
2 section, persons who are not partners as to each other are not liable  
3 as partners to other persons.

4 **ARTICLE 4**

5 **RELATIONS OF PARTNERS TO EACH OTHER AND TO PARTNERSHIP**

6 Section 401 Partner's rights and duties.

7 Section 402 Distributions in kind.

8 Section 403 Partner's rights and duties with respect to  
9 information.

10 Section 404 General standards of partner's conduct.

11 Section 405 Actions by partnership and partners.

12 Section 406 Continuation of partnership beyond definite term or  
13 particular undertaking.

14 NEW SECTION. **Sec. 401.** PARTNER'S RIGHTS AND DUTIES. (1) Each  
15 partner is deemed to have an account that is:

16 (a) Credited with an amount equal to the money plus the value of  
17 any other property, net of the amount of any liabilities, the partner  
18 contributes to the partnership and the partner's share of the  
19 partnership profits; and

20 (b) Charged with an amount equal to the money plus the value of any  
21 other property, net of the amount of any liabilities, distributed by  
22 the partnership to the partner and the partner's share of the  
23 partnership losses.

24 (2) Each partner is entitled to an equal share of the partnership  
25 profits and is chargeable with a share of the partnership losses in  
26 proportion to the partner's share of the profits.

27 (3) A partnership shall reimburse a partner for payments made and  
28 indemnify a partner for liabilities incurred by the partner in the  
29 ordinary course of the business of the partnership or for the  
30 preservation of its business or property.

31 (4) A partnership shall reimburse a partner for an advance to the  
32 partnership beyond the amount of capital the partner agreed to  
33 contribute.

34 (5) A payment or advance made by a partner which gives rise to a  
35 partnership obligation under subsection (3) or (4) of this section

1 constitutes a loan to the partnership which accrues interest from the  
2 date of the payment or advance.

3 (6) Each partner has equal rights in the management and conduct of  
4 the partnership business.

5 (7) A partner may use or possess partnership property only on  
6 behalf of the partnership.

7 (8) A partner is not entitled to remuneration for services  
8 performed for the partnership, except for reasonable compensation for  
9 services rendered in winding up the business of the partnership.

10 (9) A person may become a partner only with the consent of all of  
11 the partners.

12 (10) A difference arising as to a matter in the ordinary course of  
13 business of a partnership may be decided by a majority of the partners.  
14 An act outside the ordinary course of business of a partnership and an  
15 amendment to the partnership agreement may be undertaken only with the  
16 consent of all of the partners.

17 (11) This section does not affect the obligations of a partnership  
18 to other persons under section 301 of this act.

19 NEW SECTION. **Sec. 402.** DISTRIBUTIONS IN KIND. A partner has no  
20 right to receive, and may not be required to accept, a distribution in  
21 kind.

22 NEW SECTION. **Sec. 403.** PARTNER'S RIGHTS AND DUTIES WITH RESPECT  
23 TO INFORMATION. (1) A partnership shall keep its books and records, if  
24 any, at its chief executive office.

25 (2) A partnership shall provide partners and their agents and  
26 attorneys access to its books and records. It shall provide former  
27 partners and their agents and attorneys access to books and records  
28 pertaining to the period during which they were partners. The right of  
29 access provides the opportunity to inspect and copy books and records  
30 during ordinary business hours. A partnership may impose a reasonable  
31 charge, covering the costs of labor and material, for copies of  
32 documents furnished.

33 (3) Each partner and the partnership shall furnish to a partner,  
34 and to the legal representative of a deceased partner or partner under  
35 legal disability:

36 (a) Without demand, any information concerning the partnership's  
37 business and affairs reasonably required for the proper exercise of the

1 partner's rights and duties under the partnership agreement or this  
2 chapter; and

3 (b) On demand, any other information concerning the partnership's  
4 business and affairs, except to the extent the demand or the  
5 information demanded is unreasonable or otherwise improper under the  
6 circumstances.

7 NEW SECTION. **Sec. 404.** GENERAL STANDARDS OF PARTNER'S CONDUCT.

8 (1) The only fiduciary duties a partner owes to the partnership and the  
9 other partners are the duty of loyalty and the duty of care set forth  
10 in subsections (2) and (3) of this section.

11 (2) A partner's duty of loyalty to the partnership and the other  
12 partners is limited to the following:

13 (a) To account to the partnership and hold as trustee for it any  
14 property, profit, or benefit derived by the partner in the conduct and  
15 winding up of the partnership business or derived from a use by the  
16 partner of partnership property, including the appropriation of a  
17 partnership opportunity;

18 (b) To refrain from dealing with the partnership in the conduct or  
19 winding up of the partnership business as or on behalf of a party  
20 having an interest adverse to the partnership; and

21 (c) To refrain from competing with the partnership in the conduct  
22 of the partnership business before the dissolution of the partnership.

23 (3) A partner's duty of care to the partnership and the other  
24 partners in the conduct and winding up of the partnership business is  
25 limited to refraining from engaging in grossly negligent or reckless  
26 conduct, intentional misconduct, or a knowing violation of law.

27 (4) A partner shall discharge the duties to the partnership and the  
28 other partners under this chapter or under the partnership agreement  
29 and exercise any rights consistently with the obligation of good faith  
30 and fair dealing.

31 (5) A partner does not violate a duty or obligation under this  
32 chapter or under the partnership agreement merely because the partner's  
33 conduct furthers the partner's own interest.

34 (6) A partner may lend money to and transact other business with  
35 the partnership, and as to each loan or transaction, the rights and  
36 obligations of the partner are the same as those of a person who is not  
37 a partner, subject to other applicable law.



1 (7) This section applies to a person winding up the partnership  
2 business as the personal or legal representative of the last surviving  
3 partner as if the person were a partner.

4 NEW SECTION. **Sec. 405.** ACTIONS BY PARTNERSHIP AND PARTNERS. (1)  
5 A partnership may maintain an action against a partner for a breach of  
6 the partnership agreement, or for the violation of a duty to the  
7 partnership, causing harm to the partnership.

8 (2) A partner may maintain an action against the partnership or  
9 another partner for legal or equitable relief, with or without an  
10 accounting as to partnership business, to:

11 (a) Enforce the partner's rights under the partnership agreement;

12 (b) enforce the partner's rights under this chapter, including:

13 (i) The partner's rights under section 401, 403, or 404 of this  
14 act;

15 (ii) The partner's right on dissociation to have the partner's  
16 interest in the partnership purchased pursuant to section 701 of this  
17 act or enforce any other right under article 6 or 7 of this chapter; or

18 (iii) The partner's right to compel a dissolution and winding up of  
19 the partnership business under section 801 of this act or enforce any  
20 other right under article 8 of this chapter; or

21 (c) Enforce the rights and otherwise protect the interests of the  
22 partner, including rights and interests arising independently of the  
23 partnership relationship.

24 (3) The accrual of, and any time limitation on, a right of action  
25 for a remedy under this section is governed by other law. A right to  
26 an accounting upon a dissolution and winding up does not revive a claim  
27 barred by law.

28 NEW SECTION. **Sec. 406.** CONTINUATION OF PARTNERSHIP BEYOND  
29 DEFINITE TERM OR PARTICULAR UNDERTAKING. (1) If a partnership for a  
30 definite term or particular undertaking is continued, without an  
31 express agreement, after the expiration of the term or completion of  
32 the undertaking, the rights and duties of the partners remain the same  
33 as they were at the expiration or completion, so far as is consistent  
34 with a partnership at will.

35 (2) If the partners, or those of them who habitually acted in the  
36 business during the term or undertaking, continue the business without

1 any settlement or liquidation of the partnership, they are presumed to  
2 have agreed that the partnership will continue.

3 **ARTICLE 5**

4 **TRANSFEREES AND CREDITORS OF PARTNER**

5 Section 501 Partner not coowner of partnership property.  
6 Section 502 Partner's transferable interest in partnership.  
7 Section 503 Transfer of partner's transferable interest.  
8 Section 504 Partner's transferable interest subject to charging  
9 order.

10 NEW SECTION. **Sec. 501.** PARTNER NOT COOWNER OF PARTNERSHIP  
11 PROPERTY. A partner is not a coowner of partnership property and has  
12 no interest in partnership property which can be transferred, either  
13 voluntarily or involuntarily.

14 NEW SECTION. **Sec. 502.** PARTNER'S TRANSFERABLE INTEREST IN  
15 PARTNERSHIP. The only transferable interest of a partner in the  
16 partnership is the partner's share of the profits and losses of the  
17 partnership and the partner's right to receive distributions. The  
18 interest is personal property.

19 NEW SECTION. **Sec. 503.** TRANSFER OF PARTNER'S TRANSFERABLE  
20 INTEREST. (1) A transfer, in whole or in part, of a partner's  
21 transferable interest in the partnership:

- 22 (a) Is permissible;
- 23 (b) Does not by itself cause the partner's dissociation or a  
24 dissolution and winding up of the partnership business; and
- 25 (c) Does not, as against the other partners or the partnership,  
26 entitle the transferee, during the continuance of the partnership, to  
27 participate in the management or conduct of the partnership business,  
28 to require access to information concerning partnership transactions,  
29 or to inspect or copy the partnership books or records.

30 (2) A transferee of a partner's transferable interest in the  
31 partnership has a right:

- 32 (a) To receive, in accordance with the transfer, distributions to  
33 which the transferor would otherwise be entitled;

1 (b) To receive upon the dissolution and winding up of the  
2 partnership business, in accordance with the transfer, the net amount  
3 otherwise distributable to the transferor; and

4 (c) To seek under section 801(6) of this act a judicial  
5 determination that it is equitable to wind up the partnership business.

6 (3) In a dissolution and winding up, a transferee is entitled to an  
7 account of partnership transactions only from the date of the latest  
8 account agreed to by all of the partners.

9 (4) Upon transfer, the transferor retains the rights and duties of  
10 a partner other than the interest in distributions transferred.

11 (5) A partnership need not give effect to a transferee's rights  
12 under this section until it has notice of the transfer.

13 (6) A transfer of a partner's transferable interest in the  
14 partnership in violation of a restriction on transfer contained in the  
15 partnership agreement is ineffective as to a person having notice of  
16 the restriction at the time of transfer.

17 NEW SECTION. Sec. 504. PARTNER'S TRANSFERABLE INTEREST SUBJECT TO  
18 CHARGING ORDER. (1) On application by a judgment creditor of a partner  
19 or of a partner's transferee, a court having jurisdiction may charge  
20 the transferable interest of the judgment debtor to satisfy the  
21 judgment. The court may appoint a receiver of the share of the  
22 distributions due or to become due to the judgment debtor in respect of  
23 the partnership and make all other orders, directions, accounts, and  
24 inquiries the judgment debtor might have made or which the  
25 circumstances of the case may require.

26 (2) A charging order constitutes a lien on the judgment debtor's  
27 transferable interest in the partnership. The court may order a  
28 foreclosure of the interest subject to the charging order at any time.  
29 The purchaser at the foreclosure sale has the rights of a transferee.

30 (3) At any time before foreclosure, an interest charged may be  
31 redeemed:

32 (a) By the judgment debtor;

33 (b) with property other than partnership property, by one or more  
34 of the other partners; or

35 (c) With partnership property, by one or more of the other partners  
36 with the consent of all of the partners whose interests are not so  
37 charged.

1 (4) This chapter does not deprive a partner of a right under  
2 exemption laws with respect to the partner's interest in the  
3 partnership.

4 (5) This section provides the exclusive remedy by which a judgment  
5 creditor of a partner or partner's transferee may satisfy a judgment  
6 out of the judgment debtor's transferable interest in the partnership.

7 **ARTICLE 6**

8 **PARTNER'S DISSOCIATION**

9 Section 601 Events causing partner's dissociation.

10 Section 602 Partner's power to dissociate--Wrongful dissociation.

11 Section 603 Effect of partner's dissociation.

12 NEW SECTION. **Sec. 601.** EVENTS CAUSING PARTNER'S DISSOCIATION. A  
13 partner is dissociated from a partnership upon the occurrence of any of  
14 the following events:

15 (1) The partnership's having notice of the partner's express will  
16 to withdraw as a partner or on a later date specified by the partner;

17 (2) An event agreed to in the partnership agreement as causing the  
18 partner's dissociation;

19 (3) The partner's expulsion pursuant to the partnership agreement;

20 (4) The partner's expulsion by the unanimous vote of the other  
21 partners if:

22 (a) It is unlawful to carry on the partnership business with that  
23 partner;

24 (b) There has been a transfer of all or substantially all of that  
25 partner's transferable interest in the partnership, other than a  
26 transfer for security purposes, or a court order charging the partner's  
27 interest, which has not been foreclosed;

28 (c) Within ninety days after the partnership notifies a corporate  
29 partner that it will be expelled because it has filed a certificate of  
30 dissolution or the equivalent, its charter has been revoked, or its  
31 right to conduct business has been suspended by the jurisdiction of its  
32 incorporation, there is no revocation of the certificate of dissolution  
33 or no reinstatement of its charter or its right to conduct business; or

34 (d) A partnership that is a partner has been dissolved and its  
35 business is being wound up;

1 (5) On application by the partnership or another partner, the  
2 partner's expulsion by judicial determination because:

3 (a) The partner engaged in wrongful conduct that adversely and  
4 materially affected the partnership business;

5 (b) The partner willfully or persistently committed a material  
6 breach of the partnership agreement or of a duty owed to the  
7 partnership or the other partners under section 404 of this act; or

8 (c) The partner engaged in conduct relating to the partnership  
9 business which makes it not reasonably practicable to carry on the  
10 business in partnership with the partner;

11 (6) The partner's:

12 (a) Becoming a debtor in bankruptcy;

13 (b) Executing an assignment for the benefit of creditors;

14 (c) Seeking, consenting to, or acquiescing in the appointment of a  
15 trustee, receiver, or liquidator of that partner or of all or  
16 substantially all of that partner's property; or

17 (d) Failing, within ninety days after the appointment, to have  
18 vacated or stayed the appointment of a trustee, receiver, or liquidator  
19 of the partner or of all or substantially all of the partner's property  
20 obtained without the partner's consent or acquiescence, or failing  
21 within ninety days after the expiration of a stay to have the  
22 appointment vacated;

23 (7) In the case of a partner who is an individual:

24 (a) The partner's death;

25 (b) The appointment of a guardian or general conservator for the  
26 partner; or

27 (c) A judicial determination that the partner has otherwise become  
28 incapable of performing the partner's duties under the partnership  
29 agreement;

30 (8) In the case of a partner that is a trust or is acting as a  
31 partner by virtue of being a trustee of a trust, distribution of the  
32 trust's entire transferable interest in the partnership, but not merely  
33 by reason of the substitution of a successor trustee;

34 (9) In the case of a partner that is an estate or is acting as a  
35 partner by virtue of being a personal representative of an estate,  
36 distribution of the estate's entire transferable interest in the  
37 partnership, but not merely by reason of the substitution of a  
38 successor personal representative; or

1 (10) Termination of a partner who is not an individual,  
2 partnership, corporation, trust, or estate.

3 NEW SECTION. Sec. 602. PARTNER'S POWER TO DISSOCIATE--WRONGFUL  
4 DISSOCIATION. (1) A partner has the power to dissociate at any time,  
5 rightfully or wrongfully, by express will pursuant to section 601(1) of  
6 this act.

7 (2) A partner's dissociation is wrongful only if:

8 (a) It is in breach of an express provision of the partnership  
9 agreement; or

10 (b) In the case of a partnership for a definite term or particular  
11 undertaking, before the expiration of the term or the completion of the  
12 undertaking:

13 (i) The partner withdraws by express will, unless the withdrawal  
14 follows within ninety days after another partner's dissociation by  
15 death or otherwise under section 601 (6) through (10) of this act or  
16 wrongful dissociation under this subsection;

17 (ii) The partner is expelled by judicial determination under  
18 section 601(5) of this act;

19 (iii) The partner is dissociated by becoming a debtor in  
20 bankruptcy; or

21 (iv) In the case of a partner who is not an individual, trust other  
22 than a business trust, or estate, the partner is expelled or otherwise  
23 dissociated because it willfully dissolved or terminated.

24 (3) A partner who wrongfully dissociates is liable to the  
25 partnership and to the other partners for damages caused by the  
26 dissociation. The liability is in addition to any other obligation of  
27 the partner to the partnership or to the other partners.

28 NEW SECTION. Sec. 603. EFFECT OF PARTNER'S DISSOCIATION. (1) If  
29 a partner's dissociation results in a dissolution and winding up of the  
30 partnership business, article 8 of this chapter applies; otherwise,  
31 article 7 of this chapter applies.

32 (2) Upon a partner's dissociation:

33 (a) The partner's right to participate in the management and  
34 conduct of the partnership business terminates, except as otherwise  
35 provided in section 803 of this act;

36 (b) The partner's duty of loyalty under section 404(2)(c) of this  
37 act terminates; and

1 (c) The partner's duty of loyalty under section 404(2) (a) and (b)  
2 of this act and duty of care under section 404(3) of this act continue  
3 only with regard to matters arising and events occurring before the  
4 partner's dissociation, unless the partner participates in winding up  
5 the partnership's business pursuant to section 803 of this act.

6 **ARTICLE 7**

7 **PARTNER'S DISSOCIATION WHEN BUSINESS NOT WOUND UP**

8 Section 701 Purchase of dissociated partner's interest.  
9 Section 702 Dissociated partner's power to bind partnership.  
10 Section 703 Dissociated partner's liability to other persons.  
11 Section 704 Statement of dissociation.  
12 Section 705 Continued use of partnership name.

13 NEW SECTION. **Sec. 701.** PURCHASE OF DISSOCIATED PARTNER'S  
14 INTEREST. (1) If a partner is dissociated from a partnership without  
15 resulting in a dissolution and winding up of the partnership business  
16 under section 801 of this act, the partnership shall cause the  
17 dissociated partner's interest in the partnership to be purchased for  
18 a buyout price determined pursuant to subsection (2) of this section.

19 (2) The buyout price of a dissociated partner's interest is the  
20 amount that would have been distributable to the dissociating partner  
21 under section 807(2) of this act if, on the date of dissociation, the  
22 assets of the partnership were sold at a price equal to the greater of  
23 the liquidation value or the value based on a sale of the entire  
24 business as a going concern without the dissociated partner and the  
25 partnership were wound up as of that date. Interest must be paid from  
26 the date of dissociation to the date of payment.

27 (3) Damages for wrongful dissociation under section 602(2) of this  
28 act, and all other amounts owing, whether or not presently due, from  
29 the dissociated partner to the partnership, must be offset against the  
30 buyout price. Interest must be paid from the date the amount owed  
31 becomes due to the date of payment.

32 (4) A partnership shall indemnify a dissociated partner whose  
33 interest is being purchased against all partnership liabilities,  
34 whether incurred before or after the dissociation, except liabilities  
35 incurred by an act of the dissociated partner under section 702 of this  
36 act.

1 (5) If no agreement for the purchase of a dissociated partner's  
2 interest is reached within one hundred twenty days after a written  
3 demand for payment, the partnership shall pay, or cause to be paid, in  
4 cash to the dissociated partner the amount the partnership estimates to  
5 be the buyout price and accrued interest, reduced by any offsets and  
6 accrued interest under subsection (3) of this section.

7 (6) If a deferred payment is authorized under subsection (8) of  
8 this section, the partnership may tender a written offer to pay the  
9 amount it estimates to be the buyout price and accrued interest,  
10 reduced by any offsets under subsection (3) of this section, stating  
11 the time of payment, the amount and type of security for payment, and  
12 the other terms and conditions of the obligation.

13 (7) The payment or tender required by subsection (5) or (6) of this  
14 section must be accompanied by the following:

15 (a) A statement of partnership assets and liabilities as of the  
16 date of dissociation;

17 (b) The latest available partnership balance sheet and income  
18 statement, if any;

19 (c) An explanation of how the estimated amount of the payment was  
20 calculated; and

21 (d) Written notice that the payment is in full satisfaction of the  
22 obligation to purchase unless, within one hundred twenty days after the  
23 written notice, the dissociated partner commences an action to  
24 determine the buyout price, any offsets under subsection (3) of this  
25 section, or other terms of the obligation to purchase.

26 (8) A partner who wrongfully dissociates before the expiration of  
27 a definite term or the completion of a particular undertaking is not  
28 entitled to payment of any portion of the buyout price until the  
29 expiration of the term or completion of the undertaking, unless the  
30 partner establishes to the satisfaction of the court that earlier  
31 payment will not cause undue hardship to the business of the  
32 partnership. A deferred payment must be adequately secured and bear  
33 interest.

34 (9) A dissociated partner may maintain an action against the  
35 partnership, pursuant to section 405(2)(b)(ii) of this act, to  
36 determine the buyout price of that partner's interest, any offsets  
37 under subsection (3) of this section, or other terms of the obligation  
38 to purchase. The action must be commenced within one hundred twenty  
39 days after the partnership has tendered payment or an offer to pay or



1 within one year after written demand for payment if no payment or offer  
2 to pay is tendered. The court shall determine the buyout price of the  
3 dissociated partner's interest, any offset due under subsection (3) of  
4 this section, and accrued interest, and enter judgment for any  
5 additional payment or refund. If deferred payment is authorized under  
6 subsection (8) of this section, the court shall also determine the  
7 security for payment and other terms of the obligation to purchase.  
8 The court may assess reasonable attorneys' fees and the fees and  
9 expenses of appraisers or other experts for a party to the action, in  
10 amounts the court finds equitable, against a party that the court finds  
11 acted arbitrarily, vexatiously, or not in good faith. The finding may  
12 be based on the partnership's failure to tender payment or an offer to  
13 pay or to comply with subsection (7) of this section.

14 NEW SECTION. **Sec. 702.** DISSOCIATED PARTNER'S POWER TO BIND AND  
15 LIABILITY TO PARTNERSHIP. (1) For two years after a partner  
16 dissociates without resulting in a dissolution and winding up of the  
17 partnership business, the partnership, including a surviving  
18 partnership under article 9 of this chapter, is bound by an act of the  
19 dissociated partner which would have bound the partnership under  
20 section 301 of this act before dissociation only if at the time of  
21 entering into the transaction the other party:

22 (a) Reasonably believed that the dissociated partner was then a  
23 partner;

24 (b) Did not have notice of the partner's dissociation; and

25 (c) Is not deemed to have had knowledge under section 303(5) of  
26 this act or notice under section 704(3) of this act.

27 (2) A dissociated partner is liable to the partnership for any  
28 damage caused to the partnership arising from an obligation incurred by  
29 the dissociated partner after dissociation for which the partnership is  
30 liable under subsection (1) of this section.

31 NEW SECTION. **Sec. 703.** DISSOCIATED PARTNER'S LIABILITY TO OTHER  
32 PERSONS. (1) A partner's dissociation does not of itself discharge the  
33 partner's liability for a partnership obligation incurred before  
34 dissociation. A dissociated partner is not liable for a partnership  
35 obligation incurred after dissociation, except as otherwise provided in  
36 subsection (2) of this section.

1 (2) A partner who dissociates without resulting in a dissolution  
2 and winding up of the partnership business is liable as a partner to  
3 the other party in a transaction entered into by the partnership, or a  
4 surviving partnership under article 9 of this chapter, within two years  
5 after the partner's dissociation, only if at the time of entering into  
6 the transaction the other party:

7 (a) Reasonably believed that the dissociated partner was then a  
8 partner;

9 (b) Did not have notice of the partner's dissociation; and

10 (c) Is not deemed to have had knowledge under section 303(5) of  
11 this act or notice under section 704(3) of this act.

12 (3) By agreement with the partnership creditor and the partners  
13 continuing the business, a dissociated partner may be released from  
14 liability for a partnership obligation.

15 (4) A dissociated partner is released from liability for a  
16 partnership obligation if a partnership creditor, with notice of the  
17 partner's dissociation but without the partner's consent, agrees to a  
18 material alteration in the nature or time of payment of a partnership  
19 obligation.

20 NEW SECTION. **Sec. 704.** STATEMENT OF DISSOCIATION. (1) A  
21 dissociated partner or the partnership may file a statement of  
22 dissociation stating the name of the partnership and that the partner  
23 is dissociated from the partnership.

24 (2) A statement of dissociation is a limitation on the authority of  
25 a dissociated partner for the purposes of section 303 (4) and (5) of  
26 this act.

27 (3) For the purposes of sections 702(1)(c) and 703(2)(c) of this  
28 act, a person not a partner is deemed to have notice of the  
29 dissociation ninety days after the statement of dissociation is filed.

30 NEW SECTION. **Sec. 705.** CONTINUED USE OF PARTNERSHIP NAME.  
31 Continued use of a partnership name, or a dissociated partner's name as  
32 part thereof, by partners continuing the business does not of itself  
33 make the dissociated partner liable for an obligation of the partners  
34 or the partnership continuing the business.

35 **ARTICLE 8**

36 **WINDING UP PARTNERSHIP BUSINESS**

1 Section 801 Events causing dissolution and winding up of  
2 partnership business.  
3 Section 802 Partnership continues after dissolution.  
4 Section 803 Right to wind up partnership business.  
5 Section 804 Partner's power to bind partnership after dissolution.  
6 Section 805 Statement of dissolution.  
7 Section 806 Partner's liability to other partners after  
8 dissolution.  
9 Section 807 Settlement of accounts and contributions among  
10 partners.

11 NEW SECTION. **Sec. 801.** EVENTS CAUSING DISSOLUTION AND WINDING UP  
12 OF PARTNERSHIP BUSINESS. A partnership is dissolved, and its business  
13 must be wound up, only upon the occurrence of any of the following  
14 events:

15 (1) In a partnership at will, the partnerships having notice from  
16 a partner, other than a partner who is dissociated under section 601  
17 (2) through (10) of this act, of that partner's express will to  
18 withdraw as a partner, or on a later date specified by the partner;

19 (2) In a partnership for a definite term or particular undertaking:

20 (a) The expiration of ninety days after a partner's dissociation by  
21 death or otherwise under section 601 (6) through (10) of this act or  
22 wrongful dissociation under section 602(2) of this act, unless before  
23 that time a majority in interest of the remaining partners, including  
24 partners who have rightfully dissociated pursuant to section  
25 602(2)(b)(i) of this act, agree to continue the partnership;

26 (b) The express will of all of the partners to wind up the  
27 partnership business; or

28 (c) The expiration of the term or the completion of the  
29 undertaking;

30 (3) An event agreed to in the partnership agreement resulting in  
31 the winding up of the partnership business;

32 (4) An event that makes it unlawful for all or substantially all of  
33 the business of the partnership to be continued, but a cure of  
34 illegality within ninety days after notice to the partnership of the  
35 event is effective retroactively to the date of the event for purposes  
36 of this section;

37 (5) On application by a partner, a judicial determination that:

1 (a) The economic purpose of the partnership is likely to be  
2 unreasonably frustrated;

3 (b) Another partner has engaged in conduct relating to the  
4 partnership business which makes it not reasonably practicable to carry  
5 on the business in partnership with that partner; or

6 (c) It is not otherwise reasonably practicable to carry on the  
7 partnership business in conformity with the partnership agreement; or

8 (6) On application by a transferee of a partner's transferable  
9 interest, a judicial determination that it is equitable to wind up the  
10 partnership business:

11 (a) After the expiration of the term or completion of the  
12 undertaking, if the partnership was for a definite term or particular  
13 undertaking at the time of the transfer or entry of the charging order  
14 that gave rise to the transfer; or

15 (b) At any time, if the partnership was a partnership at will at  
16 the time of the transfer or entry of the charging order that gave rise  
17 to the transfer.

18 NEW SECTION. **Sec. 802.** PARTNERSHIP CONTINUES AFTER DISSOLUTION.

19 (1) Subject to subsection (2) of this section, a partnership continues  
20 after dissolution only for the purpose of winding up its business. The  
21 partnership is terminated when the winding up of its business is  
22 completed.

23 (2) At any time after the dissolution of a partnership and before  
24 the winding up of its business is completed, all of the partners,  
25 including any dissociating partner other than a wrongfully dissociating  
26 partner, may waive the right to have the partnership's business wound  
27 up and the partnership terminated. In that event:

28 (a) The partnership resumes carrying on its business as if  
29 dissolution had never occurred, and any liability incurred by the  
30 partnership or a partner after the dissolution and before the waiver is  
31 determined as if dissolution had never occurred; and

32 (b) The rights of a third party accruing under section 804(1) of  
33 this act or arising out of conduct in reliance on the dissolution  
34 before the third party knew or received a notification of the waiver  
35 may not be adversely affected.

36 NEW SECTION. **Sec. 803.** RIGHT TO WIND UP PARTNERSHIP BUSINESS.

37 (1) After dissolution, a partner who has not wrongfully dissociated may

1 participate in winding up the partnership's business, but on  
2 application of any partner, partner's legal representative, or  
3 transferee, the superior court in the county in which the mailing  
4 address of the partnership is located, for good cause shown, may order  
5 judicial supervision of the winding up.

6 (2) The legal representative of the last surviving partner may wind  
7 up a partnership's business.

8 (3) A person winding up a partnership's business may preserve the  
9 partnership business or property as a going concern for a reasonable  
10 time, prosecute and defend actions and proceedings, whether civil,  
11 criminal, or administrative, settle and close the partnership's  
12 business, dispose of and transfer the partnership's property, discharge  
13 the partnership's liabilities, distribute the assets of the partnership  
14 pursuant to section 807 of this act, settle disputes by mediation or  
15 arbitration, and perform other necessary acts.

16 NEW SECTION. **Sec. 804.** PARTNER'S POWER TO BIND PARTNERSHIP AFTER  
17 DISSOLUTION. Subject to section 805 of this act, a partnership is  
18 bound by a partner's act after dissolution that:

- 19 (1) Is appropriate for winding up the partnership business; or  
20 (2) Would have bound the partnership under section 301 of this act  
21 before dissolution, if the other party to the transaction did not have  
22 notice of the dissolution.

23 NEW SECTION. **Sec. 805.** STATEMENT OF DISSOLUTION. (1) After  
24 dissolution, a partner who has not wrongfully dissociated may file a  
25 statement of dissolution stating the name of the partnership and that  
26 the partnership has dissolved and is winding up its business.

27 (2) A statement of dissolution cancels a filed statement of  
28 partnership authority for the purposes of section 303(4) of this act  
29 and is a limitation on authority for the purposes of section 303(5) of  
30 this act.

31 (3) For the purposes of sections 301 and 804 of this act, a person  
32 not a partner is deemed to have notice of the dissolution and the  
33 limitation on the partners' authority as a result of the statement of  
34 dissolution ninety days after it is filed.

35 (4) After filing and, if appropriate, recording a statement of  
36 dissolution, a dissolved partnership may file and, if appropriate,  
37 record a statement of partnership authority which will operate with

1 respect to a person not a partner as provided in section 303 (4) and  
2 (5) of this act in any transaction, whether or not the transaction is  
3 appropriate for winding up the partnership business.

4 NEW SECTION. **Sec. 806.** PARTNER'S LIABILITY TO OTHER PARTNERS  
5 AFTER DISSOLUTION. (1) Except as otherwise provided in subsection (2)  
6 of this section, after dissolution a partner is liable to the other  
7 partners for the partner's share of any partnership liability incurred  
8 under section 804 of this act.

9 (2) A partner who, with knowledge of the dissolution, incurs a  
10 partnership liability under section 804(2) of this act by an act that  
11 is not appropriate for winding up the partnership business is liable to  
12 the partnership for any damage caused to the partnership arising from  
13 the liability.

14 NEW SECTION. **Sec. 807.** SETTLEMENT OF ACCOUNTS AND CONTRIBUTIONS  
15 AMONG PARTNERS. (1) In winding up a partnership's business, the assets  
16 of the partnership, including the contributions of the partners  
17 required by this section, must be applied to discharge its obligations  
18 to creditors, including, to the extent permitted by law, partners who  
19 are creditors. Any surplus must be applied to pay in cash the net  
20 amount distributable to partners in accordance with their right to  
21 distributions under subsection (2) of this section.

22 (2) Each partner is entitled to a settlement of all partnership  
23 accounts upon winding up the partnership business. In settling  
24 accounts among the partners, the profits and losses that result from  
25 the liquidation of the partnership assets must be credited and charged  
26 to the partners' accounts. The partnership shall make a distribution  
27 to a partner in an amount equal to any excess of the credits over the  
28 charges in the partner's account. A partner shall contribute to the  
29 partnership an amount equal to any excess of the charges over the  
30 credits in the partner's account.

31 (3) If a partner fails to contribute, all of the other partners  
32 shall contribute, in the proportions in which those partners share  
33 partnership losses, the additional amount necessary to satisfy the  
34 partnership obligations. A partner or partner's legal representative  
35 may recover from the other partners any contributions the partner makes  
36 to the extent the amount contributed exceeds that partner's share of  
37 the partnership obligations.

1 (4) After the settlement of accounts, each partner shall  
2 contribute, in the proportion in which the partner shares partnership  
3 losses, the amount necessary to satisfy partnership obligations that  
4 were not known at the time of the settlement.

5 (5) The estate of a deceased partner is liable for the partner's  
6 obligation to contribute to the partnership.

7 (6) An assignee for the benefit of creditors of a partnership or a  
8 partner, or a person appointed by a court to represent creditors of a  
9 partnership or a partner, may enforce a partner's obligation to  
10 contribute to the partnership.

11 **ARTICLE 9**

12 **CONVERSIONS AND MERGERS**

13 Section 901 Definitions.  
14 Section 902 Conversion of partnership to limited partnership.  
15 Section 903 Conversion of limited partnership to partnership.  
16 Section 904 Effect of conversion--Entity unchanged.  
17 Section 905 Merger of partnerships.  
18 Section 906 Effect of merger.  
19 Section 907 Statement of merger.  
20 Section 908 Nonexclusive.

21 NEW SECTION. **Sec. 901.** DEFINITIONS. In this article:

22 (1) "General partner" means a partner in a partnership and a  
23 general partner in a limited partnership.

24 (2) "Limited partner" means a limited partner in a limited  
25 partnership.

26 (3) "Limited partnership" means a limited partnership created under  
27 chapter 25.10 RCW, predecessor law, or comparable law of another  
28 jurisdiction.

29 (4) "Partner" includes both a general partner and a limited  
30 partner.

31 NEW SECTION. **Sec. 902.** CONVERSION OF PARTNERSHIP TO LIMITED  
32 PARTNERSHIP. (1) A partnership may be converted to a limited  
33 partnership pursuant to this section.

34 (2) The terms and conditions of a conversion of a partnership to a  
35 limited partnership must be approved by all of the partners or by a

1 number or percentage specified for conversion in the partnership  
2 agreement.

3 (3) After the conversion is approved by the partners, the  
4 partnership shall file a certificate of limited partnership in the  
5 jurisdiction in which the limited partnership is to be formed. The  
6 certificate must include:

7 (a) A statement that the partnership was converted to a limited  
8 partnership from a partnership;

9 (b) Its former name; and

10 (c) A statement of the number of votes cast by the partners for and  
11 against the conversion and, if the vote is less than unanimous, the  
12 number or percentage required to approve the conversion under the  
13 partnership agreement.

14 (4) The conversion takes effect when the certificate of limited  
15 partnership is filed or at any later date specified in the certificate.

16 (5) A general partner who becomes a limited partner as a result of  
17 the conversion remains liable as a general partner for an obligation  
18 incurred by the partnership before the conversion takes effect. If the  
19 other party to a transaction with the limited partnership reasonably  
20 believes when entering the transaction that the limited partner is a  
21 general partner, the limited partner is liable for an obligation  
22 incurred by the limited partnership within ninety days after the  
23 conversion takes effect. The limited partner's liability for all other  
24 obligations of the limited partnership incurred after the conversion  
25 takes effect is that of a limited partner as provided in chapter 25.10  
26 RCW.

27 NEW SECTION. **Sec. 903.** CONVERSION OF LIMITED PARTNERSHIP TO  
28 PARTNERSHIP. (1) A limited partnership may be converted to a  
29 partnership pursuant to this section.

30 (2) Notwithstanding a provision to the contrary in a limited  
31 partnership agreement, the terms and conditions of a conversion of a  
32 limited partnership to a partnership must be approved by all of the  
33 partners.

34 (3) After the conversion is approved by the partners, the limited  
35 partnership shall cancel its certificate of limited partnership.

36 (4) The conversion takes effect when the certificate of limited  
37 partnership is canceled.



1 (5) A limited partner who becomes a general partner as a result of  
2 the conversion remains liable only as a limited partner for an  
3 obligation incurred by the limited partnership before the conversion  
4 takes effect. The partner is liable as a general partner for an  
5 obligation of the partnership incurred after the conversion takes  
6 effect.

7 NEW SECTION. **Sec. 904.** EFFECT OF CONVERSION--ENTITY UNCHANGED.

8 (1) A partnership or limited partnership that has been converted  
9 pursuant to this article is for all purposes the same entity that  
10 existed before the conversion.

11 (2) When a conversion takes effect:

12 (a) All property owned by the converting partnership or limited  
13 partnership remains vested in the converted entity;

14 (b) All obligations of the converting partnership or limited  
15 partnership continue as obligations of the converted entity; and

16 (c) An action or proceeding pending against the converting  
17 partnership or limited partnership may be continued as if the  
18 conversion had not occurred.

19 NEW SECTION. **Sec. 905.** MERGER OF PARTNERSHIPS. (1) Pursuant to  
20 a plan of merger approved as provided in subsection (3) of this  
21 section, a partnership may be merged with one or more partnerships or  
22 limited partnerships.

23 (2) The plan of merger must set forth:

24 (a) The name of each partnership or limited partnership that is a  
25 party to the merger;

26 (b) The name of the surviving entity into which the other  
27 partnerships or limited partnerships will merge;

28 (c) Whether the surviving entity is a partnership or a limited  
29 partnership and the status of each partner;

30 (d) The terms and conditions of the merger;

31 (e) The manner and basis of converting the interests of each party  
32 to the merger into interests or obligations of the surviving entity, or  
33 into money or other property in whole or part; and

34 (f) The street address of the surviving entity's chief executive  
35 office.

36 (3) The plan of merger must be approved:

1 (a) In the case of a partnership that is a party to the merger, by  
2 all of the partners, or a number or percentage specified for merger in  
3 the partnership agreement; and

4 (b) In the case of a limited partnership that is a party to the  
5 merger, by the vote required for approval of a merger by the law of the  
6 state or foreign jurisdiction in which the limited partnership is  
7 organized and, in the absence of such a specifically applicable law, by  
8 all of the partners, notwithstanding a provision to the contrary in the  
9 partnership agreement.

10 (4) After a plan of merger is approved and before the merger takes  
11 effect, the plan may be amended or abandoned as provided in the plan.

12 (5) The merger takes effect on the later of:

13 (a) The approval of the plan of merger by all parties to the  
14 merger, as provided in subsection (3) of this section;

15 (b) The filing of all documents required by law to be filed as a  
16 condition to the effectiveness of the merger; or

17 (c) Any effective date specified in the plan of merger.

18 NEW SECTION. Sec. 906. EFFECT OF MERGER. (1) When a merger takes  
19 effect:

20 (a) The separate existence of every partnership or limited  
21 partnership that is a party to the merger, other than the surviving  
22 entity, ceases;

23 (b) All property owned by each of the merged partnerships or  
24 limited partnerships vests in the surviving entity;

25 (c) All obligations of every partnership or limited partnership  
26 that is a party to the merger become the obligations of the surviving  
27 entity; and

28 (d) An action or proceeding pending against a partnership or  
29 limited partnership that is a party to the merger may be continued as  
30 if the merger had not occurred, or the surviving entity may be  
31 substituted as a party to the action or proceeding.

32 (2) The secretary of state of this state is the agent for service  
33 of process in an action or proceeding against a surviving foreign  
34 partnership or limited partnership to enforce an obligation of a  
35 domestic partnership or limited partnership that is a party to a  
36 merger. The surviving entity shall promptly notify the secretary of  
37 state of the mailing address of its chief executive office and of any  
38 change of address. Upon receipt of process, the secretary of state

1 shall mail a copy of the process to the surviving foreign partnership  
2 or limited partnership.

3 (3) A partner of the surviving partnership or limited partnership  
4 is liable for:

5 (a) All obligations of a party to the merger for which the partner  
6 was personally liable before the merger;

7 (b) all other obligations of the surviving entity incurred before  
8 the merger by a party to the merger, but those obligations may be  
9 satisfied only out of property of the entity; and

10 (c) All obligations of the surviving entity incurred after the  
11 merger takes effect, but those obligations may be satisfied only out of  
12 property of the entity if the partner is a limited partner.

13 (4) If the obligations incurred before the merger by a party to the  
14 merger are not satisfied out of the property of the surviving  
15 partnership or limited partnership, the general partners of that party  
16 immediately before the effective date of the merger shall contribute  
17 the amount necessary to satisfy that party's obligations to the  
18 surviving entity, in the manner provided in section 807 of this act or  
19 in chapter 25.10 RCW of the jurisdiction in which the party was formed,  
20 as the case may be, as if the merged party were dissolved.

21 (5) A partner of a party to a merger who does not become a partner  
22 of the surviving partnership or limited partnership is dissociated from  
23 the entity, of which that partner was a partner, as of the date the  
24 merger takes effect. The surviving entity shall cause the partner's  
25 interest in the entity to be purchased under section 701 of this act or  
26 another statute specifically applicable to that partner's interest with  
27 respect to a merger. The surviving entity is bound under section 702  
28 of this act by an act of a general partner dissociated under this  
29 subsection, and the partner is liable under section 703 of this act for  
30 transactions entered into by the surviving entity after the merger  
31 takes effect.

32 NEW SECTION. **Sec. 907.** STATEMENT OF MERGER. (1) After a merger,  
33 the surviving partnership or limited partnership may file a statement  
34 that one or more partnerships or limited partnerships have merged into  
35 the surviving entity.

36 (2) A statement of merger must contain:

37 (a) The name of each partnership or limited partnership that is a  
38 party to the merger;

1 (b) The name of the surviving entity into which the other  
2 partnerships or limited partnership were merged;

3 (c) The street address of the surviving entity's chief executive  
4 office and of an office in this state, if any; and

5 (d) Whether the surviving entity is a partnership or a limited  
6 partnership.

7 (3) Except as otherwise provided in subsection (4) of this section,  
8 for the purposes of section 302 of this act, property of the surviving  
9 partnership or limited partnership which before the merger was held in  
10 the name of another party to the merger is property held in the name of  
11 the surviving entity upon filing a statement of merger.

12 (4) For the purposes of section 302 of this act, real property of  
13 the surviving partnership or limited partnership which before the  
14 merger was held in the name of another party to the merger is property  
15 held in the name of the surviving entity upon recording a certified  
16 copy of the statement of merger in the office for recording transfers  
17 of that real property.

18 (5) A filed and, if appropriate, recorded statement of merger,  
19 executed and declared to be accurate pursuant to section 105(3) of this  
20 act, stating the name of a partnership or limited partnership that is  
21 a party to the merger in whose name property was held before the merger  
22 and the name of the surviving entity, but not containing all of the  
23 other information required by subsection (2) of this section, operates  
24 with respect to the partnerships or limited partnerships named to the  
25 extent provided in subsections (3) and (4) of this section.

26 NEW SECTION. **Sec. 908.** NONEXCLUSIVE. This article is not  
27 exclusive. Partnerships or limited partnerships may be converted or  
28 merged in any other manner provided by law.

29 **ARTICLE 10**

30 **MISCELLANEOUS PROVISIONS**

31 Section 1001 Uniformity of application and construction.  
32 Section 1002 Short title.  
33 Section 1003 Severability.  
34 Section 1004 Effective date.  
35 Section 1005 Applicability.  
36 Section 1006 Savings clause.  
37 Section 1007 Repeals.

1        NEW SECTION.        **Sec. 1001.**        UNIFORMITY OF APPLICATION AND  
2 CONSTRUCTION. This act shall be applied and construed to effectuate  
3 its general purpose to make uniform the law with respect to the subject  
4 of this act among states enacting it.

5        NEW SECTION.        **Sec. 1002.**        SHORT TITLE. This act may be cited as  
6 the uniform partnership act of 1996.

7        NEW SECTION.        **Sec. 1003.**        SEVERABILITY. If any provision of this  
8 act or its application to any person or circumstance is held invalid,  
9 the remainder of the act or the application of the provision to other  
10 persons or circumstances is not affected.

11       NEW SECTION.       **Sec. 1004.**       EFFECTIVE DATE. This act shall take  
12 effect July 1, 1996.

13       NEW SECTION.       **Sec. 1005.**       APPLICABILITY. (1) Before July 1, 1996,  
14 this chapter governs only a partnership formed:

15       (a) After the effective date of this act, unless that partnership  
16 is continuing the business of a dissolved partnership under RCW  
17 25.04.410, section 25.04.410, chapter 15, Laws of 1955; and

18       (b) Before the effective date of this act, that elects, as provided  
19 by subsection (2) of this section, to be governed by this chapter.

20       (2) After July 1, 1996, this chapter governs all partnerships.

21       (3) Before July 1, 1996, a partnership voluntarily may elect, in  
22 the manner provided in its partnership agreement or by law for amending  
23 the partnership agreement, to be governed by this chapter. The  
24 provisions of this chapter relating to the liability of the  
25 partnership's partners to third parties apply to limit those partners'  
26 liability to a third party who had done business with the partnership  
27 within one year preceding the partnership's election to be governed by  
28 this chapter, only if the third party knows or has received a  
29 notification of the partnership's election to be governed by this  
30 chapter.

31       NEW SECTION.       **Sec. 1006.**       SAVINGS CLAUSE. This act does not affect  
32 an action or proceeding commenced or right accrued before this act  
33 takes affect.

1        NEW SECTION. Sec. 1007. REPEALS. The following acts or parts of  
2 acts are each repealed:

3        (1) RCW 25.04.010 and 1955 c 15 s 25.04.010;

4        (2) RCW 25.04.020 and 1985 c 8 s 2;

5        (3) RCW 25.04.030 and 1955 c 15 s 25.04.030;

6        (4) RCW 25.04.040 and 1955 c 15 s 25.04.040;

7        (5) RCW 25.04.050 and 1955 c 15 s 25.04.050;

8        (6) RCW 25.04.060 and 1955 c 15 s 25.04.060;

9        (7) RCW 25.04.070 and 1973 1st ex.s. c 154 s 24 & 1955 c 15 s  
10 25.04.070;

11       (8) RCW 25.04.080 and 1955 c 15 s 25.04.080;

12       (9) RCW 25.04.090 and 1955 c 15 s 25.04.090;

13       (10) RCW 25.04.100 and 1955 c 15 s 25.04.100;

14       (11) RCW 25.04.110 and 1955 c 15 s 25.04.110;

15       (12) RCW 25.04.120 and 1955 c 15 s 25.04.120;

16       (13) RCW 25.04.130 and 1955 c 15 s 25.04.130;

17       (14) RCW 25.04.140 and 1955 c 15 s 25.04.140;

18       (15) RCW 25.04.150 and 1985 c 8 s 3;

19       (16) RCW 25.04.160 and 1955 c 15 s 25.04.160;

20       (17) RCW 25.04.170 and 1955 c 15 s 25.04.170;

21       (18) RCW 25.04.180 and 1955 c 15 s 25.04.180;

22       (19) RCW 25.04.190 and 1955 c 15 s 25.04.190;

23       (20) RCW 25.04.200 and 1955 c 15 s 25.04.200;

24       (21) RCW 25.04.210 and 1955 c 15 s 25.04.210;

25       (22) RCW 25.04.220 and 1955 c 15 s 25.04.220;

26       (23) RCW 25.04.230 and 1955 c 15 s 25.04.230;

27       (24) RCW 25.04.240 and 1955 c 15 s 25.04.240;

28       (25) RCW 25.04.250 and 1973 1st ex.s. c 154 s 25 & 1955 c 15 s  
29 25.04.250;

30       (26) RCW 25.04.260 and 1955 c 15 s 25.04.260;

31       (27) RCW 25.04.270 and 1955 c 15 s 25.04.270;

32       (28) RCW 25.04.280 and 1955 c 15 s 25.04.280;

33       (29) RCW 25.04.290 and 1955 c 15 s 25.04.290;

34       (30) RCW 25.04.300 and 1955 c 15 s 25.04.300;

35       (31) RCW 25.04.310 and 1955 c 15 s 25.04.310;

36       (32) RCW 25.04.320 and 1955 c 15 s 25.04.320;

37       (33) RCW 25.04.330 and 1955 c 15 s 25.04.330;

38       (34) RCW 25.04.340 and 1955 c 15 s 25.04.340;

39       (35) RCW 25.04.350 and 1955 c 15 s 25.04.350;

1 (36) RCW 25.04.360 and 1955 c 15 s 25.04.360;  
2 (37) RCW 25.04.370 and 1955 c 15 s 25.04.370;  
3 (38) RCW 25.04.380 and 1955 c 15 s 25.04.380;  
4 (39) RCW 25.04.390 and 1955 c 15 s 25.04.390;  
5 (40) RCW 25.04.400 and 1955 c 15 s 25.04.400;  
6 (41) RCW 25.04.410 and 1955 c 15 s 25.04.410;  
7 (42) RCW 25.04.420 and 1955 c 15 s 25.04.420; and  
8 (43) RCW 25.04.430 and 1955 c 15 s 25.04.430.

9 NEW SECTION. **Sec. 1008.** CODIFICATION DIRECTIONS. Sections 101  
10 through 1006 of this act shall constitute a new chapter in Title 25  
11 RCW.

12 NEW SECTION. **Sec. 1009.** CAPTIONS NOT LAW. Captions as used in  
13 this act constitute no part of the law.

--- END ---