

Stricken language would be deleted from and underlined language would be added to law as it existed prior to the 82nd General Assembly.

1 State of Arkansas
2 82nd General Assembly
3 Regular Session, 1999
4

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A Bill

Act 1518 of 1999
SENATE BILL 231

5 By: Senator Gordon
6 By: Representative Courtway
7

For An Act To Be Entitled

"THE UNI FORM PARTNERSHIP ACT (1996)."

Subtitle

"THE UNI FORM PARTNERSHIP ACT (1996)."

15
16 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
17

ARTICLE 1

GENERAL PROVISIONS

SECTION 101. DEFINITIONS. In this Act:

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

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

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

(ii) a comparable order under federal, state, or foreign law governing insolvency.

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

(4) "Foreign limited liability partnership" means a partnership that:

(i) is formed under laws other than the laws of this State; and

(ii) has the status of a limited liability partnership under those laws.

(5) "Limited liability partnership" means a partnership that has filed a statement of qualification under Section 1001 and does not have a similar statement in effect in any other jurisdiction.

1 (6) "Partnership" means an association of two or more persons to carry
2 on as co-owners a business for profit formed under Section 202, predecessor
3 law, or comparable law of another jurisdiction.

4 (7) "Partnership agreement" means the agreement, whether written, oral,
5 or implied, among the partners concerning the partnership, including
6 amendments to the partnership agreement.

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

10 (9) "Partnership interest" or "partner's interest in the partnership"
11 means all of a partner's interests in the partnership, including the partner's
12 transferable interest and all management and other rights.

13 (10) "Person" means an individual, corporation, business trust, estate,
14 trust, partnership, association, joint venture, government, governmental
15 subdivision, agency, or instrumentality, or any other legal or commercial
16 entity.

17 (11) "Property" means all property, real, personal, or mixed, tangible
18 or intangible, or any interest therein.

19 (12) "State" means a State of the United States, the
20 District of Columbia, the Commonwealth of Puerto Rico, or any territory or
21 insular possession subject to the jurisdiction of the United States.

22 (13) "Statement" means a statement of partnership authority under
23 Section 303, a statement of denial under Section 304, a statement of
24 dissociation under Section 704, a statement of dissolution under Section 805,
25 a statement of merger under Section 907, a statement of qualification under
26 Section 1001, a statement of foreign qualification under Section 1102, or an
27 amendment or cancellation of any of the foregoing.

28 (14) "Transfer" includes an assignment, conveyance, lease, mortgage,
29 deed, and encumbrance.

30
31 SECTION 102. KNOWLEDGE AND NOTICE.

32 (a) A person knows a fact if the person has actual knowledge of
33 it.

34 (b) A person has notice of a fact if the person:

35 (1) knows of it;

36 (2) has received a notification of it; or

1 (3) has reason to know it exists from all of the facts known
2 to the person at the time in question.

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

6 (d) A person receives a notification when the notification:

7 (1) comes to the person's attention; or

8 (2) is duly delivered at the person's place of business or
9 at any other place held out by the person as a place for receiving
10 communications.

11 (e) Except as otherwise provided in subsection (f), a person
12 other than an individual knows, has notice, or receives a notification of a
13 fact for purposes of a particular transaction when the individual conducting
14 the transaction knows, has notice, or receives a notification of the fact, or
15 in any event when the fact would have been brought to the individual's
16 attention if the person had exercised reasonable diligence. The person
17 exercises reasonable diligence if it maintains reasonable routines for
18 communicating significant information to the individual conducting the
19 transaction and there is reasonable compliance with the routines. Reasonable
20 diligence does not require an individual acting for the person to communicate
21 information unless the communication is part of the individual's regular
22 duties or the individual has reason to know of the transaction and that the
23 transaction would be materially affected by the information.

24 (f) A partner's knowledge, notice, or receipt of a notification
25 of a fact relating to the partnership is effective immediately as knowledge
26 by, notice to, or receipt of a notification by the partnership, except in the
27 case of a fraud on the partnership committed by or with the consent of that
28 partner.

29
30 SECTION 103. EFFECT OF PARTNERSHIP AGREEMENT; NONWAIVABLE PROVISIONS.

31 (a) Except as otherwise provided in subsection (b), relations
32 among the partners and between the partners and the partnership are governed
33 by the partnership agreement. To the extent the partnership agreement does
34 not otherwise provide, this Act governs relations among the partners and
35 between the partners and the partnership.

36 (b) The partnership agreement may not:

1 (1) vary the rights and duties under Section 105 except to
2 eliminate the duty to provide copies of statements to all of the partners;

3 (2) unreasonably restrict the right of access to books and
4 records under Section 403(b);

5 (3) eliminate the duty of loyalty under Section 404(b) or
6 603(b)(3), but:

7 (i) the partnership agreement may identify specific
8 types or categories of activities that do not violate the duty of loyalty, if
9 not manifestly unreasonable; or

10 (ii) all of the partners or a number or percentage
11 specified in the partnership agreement may authorize or ratify, after full
12 disclosure of all material facts, a specific act or transaction that otherwise
13 would violate the duty of loyalty;

14 (4) unreasonably reduce the duty of care under Section
15 404(c) or 603(b)(3);

16 (5) eliminate the obligation of good faith and fair dealing
17 under Section 404(d), but the partnership agreement may prescribe the
18 standards by which the performance of the obligation is to be measured, if the
19 standards are not manifestly unreasonable;

20 (6) vary the power to dissociate as a partner under Section
21 602(a), except to require the notice under Section 601(1) to be in writing;

22 (7) vary the right of a court to expel a partner in the
23 events specified in Section 601(5);

24 (8) vary the requirement to wind up the partnership business
25 in cases specified in Section 801(4), (5), or (6);

26 (9) vary the law applicable to a limited liability
27 partnership under Section 106(b); or

28 (10) restrict rights of third parties under this Act.

29
30 SECTION 104. SUPPLEMENTAL PRINCIPLES OF LAW.

31 (a) Unless displaced by particular provisions of this Act, the
32 principles of law and equity supplement this Act.

33 (b) If an obligation to pay interest arises under this Act and
34 the rate is not specified, the rate shall be six percent (6%).

35
36 SECTION 105. EXECUTION, FILING, AND RECORDING OF STATEMENTS.

1 (a) A statement may be filed in the office of the Secretary of
2 State. A certified copy of a statement that is filed in an office in another
3 State may be filed in the office of the Secretary of State. Either filing has
4 the effect provided in this Act with respect to partnership property located
5 in or transactions that occur in this State.

6 (b) A certified copy of a statement that has been filed in the
7 office of the Secretary of State and recorded in the office for recording
8 transfers of real property has the effect provided for recorded statements in
9 this Act. A recorded statement that is not a certified copy of a statement
10 filed in the office of the Secretary of State does not have the effect
11 provided for recorded statements in this Act.

12 (c) A statement filed by a partnership must be executed by at
13 least two partners. Other statements must be executed by a partner or other
14 person authorized by this Act. An individual who executes a statement as, or
15 on behalf of, a partner or other person named as a partner in a statement
16 shall personally declare under penalty of perjury that the contents of the
17 statement are accurate.

18 (d) A person authorized by this Act to file a statement may amend
19 or cancel the statement by filing an amendment or cancellation that names the
20 partnership, identifies the statement, and states the substance of the
21 amendment or cancellation.

22 (e) A person who files a statement pursuant to this section shall
23 promptly send a copy of the statement to every nonfiling partner and to any
24 other person named as a partner in the statement. Failure to send a copy of a
25 statement to a partner or other person does not limit the effectiveness of the
26 statement as to a person not a partner.

27 (f) The Secretary of State shall collect a fee for filing or
28 providing a certified copy of a statement. The officer responsible for
29 recording transfers of real property may collect a fee for recording a
30 statement.

31
32 SECTION 106. GOVERNING LAW.

33 (a) Except as otherwise provided in subsection (b), the law of
34 the jurisdiction in which a partnership has its chief executive office governs
35 relations among the partners and between the partners and the partnership.

36 (b) The law of this State governs relations among the partners

1 and between the partners and the partnership and the liability of partners for
2 an obligation of a limited liability partnership.

3
4 SECTION 107. PARTNERSHIP SUBJECT TO AMENDMENT OR REPEAL OF ACT. A
5 partnership governed by this Act is subject to any amendment to or repeal of
6 this Act.

7 ARTICLE 2

8 NATURE OF PARTNERSHIP

9 SECTION 201. PARTNERSHIP AS ENTITY.

10 (a) A partnership is an entity distinct from its partners.

11 (b) A limited liability partnership continues to be the same
12 entity that existed before the filing of a statement of qualification under
13 Section 1001.

14
15 SECTION 202. FORMATION OF PARTNERSHIP.

16 (a) Except as otherwise provided in subsection (b), the
17 association of two or more persons to carry on as co-owners a business for
18 profit forms a partnership, whether or not the persons intend to form a
19 partnership.

20 (b) An association formed under a statute other than this Act, a
21 predecessor statute, or a comparable statute of another jurisdiction is not a
22 partnership under this Act.

23 (c) In determining whether a partnership is formed, the following
24 rules apply:

25 (1) Joint tenancy, tenancy in common, tenancy by the
26 entireties, joint property, common property, or part ownership does not by
27 itself establish a partnership, even if the co-owners share profits made by
28 the use of the property.

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

32 (3) A person who receives a share of the profits of a
33 business is presumed to be a partner in the business, unless the profits were
34 received in payment:

35 (i) of a debt by installments or otherwise;

36 (ii) for services as an independent contractor or of

1 wages or other compensation to an employee;

2 (iii) of rent;

3 (iv) of an annuity or other retirement or health
4 benefit to a beneficiary, representative, or designee of a deceased or retired
5 partner;

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

10 (vi) for the sale of the goodwill of a business or
11 other property by installments or otherwise.

12
13 SECTION 203. PARTNERSHIP PROPERTY. Property acquired by a partnership
14 is property of the partnership and not of the partners individually.

15
16 SECTION 204. WHEN PROPERTY IS PARTNERSHIP PROPERTY.

17 (a) Property is partnership property if acquired in the name of:

18 (1) the partnership; or

19 (2) one or more partners with an indication in the
20 instrument transferring title to the property of the person's capacity as a
21 partner or of the existence of a partnership but without an indication of the
22 name of the partnership.

23 (b) Property is acquired in the name of the partnership by a
24 transfer to:

25 (1) the partnership in its name; or

26 (2) one or more partners in their capacity as partners in
27 the partnership, if the name of the partnership is indicated in the instrument
28 transferring title to the property.

29 (c) Property is presumed to be partnership property if purchased
30 with partnership assets, even if not acquired in the name of the partnership
31 or of one or more partners with an indication in the instrument transferring
32 title to the property of the person's capacity as a partner or of the
33 existence of a partnership.

34 (d) Property acquired in the name of one or more of the partners,
35 without an indication in the instrument transferring title to the property of
36 the person's capacity as a partner or of the existence of a partnership and

1 without use of partnership assets, is presumed to be separate property, even
2 if used for partnership purposes.

3
4 ARTICLE 3

5 RELATIONS OF PARTNERS TO

6 PERSONS DEALING WITH PARTNERSHIP

7 SECTION 301. PARTNER AGENT OF PARTNERSHIP. Subject to the effect of a
8 statement of partnership authority under Section 303:

9 (1) Each partner is an agent of the partnership for the purpose
10 of its business. An act of a partner, including the execution of an
11 instrument in the partnership name, for apparently carrying on in the ordinary
12 course the partnership business or business of the kind carried on by the
13 partnership binds the partnership, unless the partner had no authority to act
14 for the partnership in the particular matter and the person with whom the
15 partner was dealing knew or had received a notification that the partner
16 lacked authority.

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

21
22 SECTION 302. TRANSFER OF PARTNERSHIP PROPERTY.

23 (a) Partnership property may be transferred as follows:

24 (1) Subject to the effect of a statement of partnership
25 authority under Section 303, partnership property held in the name of the
26 partnership may be transferred by an instrument of transfer executed by a
27 partner in the partnership name.

28 (2) Partnership property held in the name of one or more
29 partners with an indication in the instrument transferring the property to
30 them of their capacity as partners or of the existence of a partnership, but
31 without an indication of the name of the partnership, may be transferred by an
32 instrument of transfer executed by the persons in whose name the property is
33 held.

34 (3) Partnership property held in the name of one or more
35 persons other than the partnership, without an indication in the instrument
36 transferring the property to them of their capacity as partners or of the

1 existence of a partnership, may be transferred by an instrument of transfer
2 executed by the persons in whose name the property is held.

3 (b) A partnership may recover partnership property from a
4 transferee only if it proves that execution of the instrument of initial
5 transfer did not bind the partnership under Section 301 and:

6 (1) as to a subsequent transferee who gave value for
7 property transferred under subsection (a)(1) and (2), proves that the
8 subsequent transferee knew or had received a notification that the person who
9 executed the instrument of initial transfer lacked authority to bind the
10 partnership; or

11 (2) as to a transferee who gave value for property
12 transferred under subsection (a)(3), proves that the transferee knew or had
13 received a notification that the property was partnership property and that
14 the person who executed the instrument of initial transfer lacked authority to
15 bind the partnership.

16 (c) A partnership may not recover partnership property from a
17 subsequent transferee if the partnership would not have been entitled to
18 recover the property, under subsection (b), from any earlier transferee of the
19 property.

20 (d) If a person holds all of the partners' interests in the
21 partnership, all of the partnership property vests in that person. The person
22 may execute a document in the name of the partnership to evidence vesting of
23 the property in that person and may file or record the document.

24
25 SECTION 303. STATEMENT OF PARTNERSHIP AUTHORITY.

26 (a) A partnership may file a statement of partnership authority,
27 which:

28 (1) must include:

29 (i) the name of the partnership;

30 (ii) the street address of its chief executive office
31 and of one office in this State, if there is one;

32 (iii) the names and mailing addresses of all of the
33 partners or of an agent appointed and maintained by the partnership for the
34 purpose of subsection (b); and

35 (iv) the names of the partners authorized to execute
36 an instrument transferring real property held in the name of the partnership;

1 and

2 (2) may state the authority, or limitations on the
3 authority, of some or all of the partners to enter into other transactions on
4 behalf of the partnership and any other matter.

5 (b) If a statement of partnership authority names an agent, the
6 agent shall maintain a list of the names and mailing addresses of all of the
7 partners and make it available to any person on request for good cause shown.

8 (c) If a filed statement of partnership authority is executed
9 pursuant to Section 105(c) and states the name of the partnership but does not
10 contain all of the other information required by subsection (a), the statement
11 nevertheless operates with respect to a person not a partner as provided in
12 subsections (d) and (e).

13 (d) Except as otherwise provided in subsection (g), a filed
14 statement of partnership authority supplements the authority of a partner to
15 enter into transactions on behalf of the partnership as follows:

16 (1) Except for transfers of real property, a grant of
17 authority contained in a filed statement of partnership authority is
18 conclusive in favor of a person who gives value without knowledge to the
19 contrary, so long as and to the extent that a limitation on that authority is
20 not then contained in another filed statement. A filed cancellation of a
21 limitation on authority revives the previous grant of authority.

22 (2) A grant of authority to transfer real property held in
23 the name of the partnership contained in a certified copy of a filed statement
24 of partnership authority recorded in the office for recording transfers of
25 that real property is conclusive in favor of a person who gives value without
26 knowledge to the contrary, so long as and to the extent that a certified copy
27 of a filed statement containing a limitation on that authority is not then of
28 record in the office for recording transfers of that real property. The
29 recording in the office for recording transfers of that real property of a
30 certified copy of a filed cancellation of a limitation on authority revives
31 the previous grant of authority.

32 (e) A person not a partner is deemed to know of a limitation on
33 the authority of a partner to transfer real property held in the name of the
34 partnership if a certified copy of the filed statement containing the
35 limitation on authority is of record in the office for recording transfers of
36 that real property.

1 (f) Except as otherwise provided in subsections (d) and (e) and
2 Sections 704 and 805, a person not a partner is not deemed to know of a
3 limitation on the authority of a partner merely because the limitation is
4 contained in a filed statement.

5 (g) Unless earlier canceled, a filed statement of partnership
6 authority is canceled by operation of law five years after the date on which
7 the statement, or the most recent amendment, was filed with the Secretary of
8 State.

9
10 SECTION 304. STATEMENT OF DENIAL. A partner or other person named as a
11 partner in a filed statement of partnership authority or in a list maintained
12 by an agent pursuant to Section 303 (b) may file a statement of denial
13 stating:

- 14 (1) The name of the partnership;
15 (2) The name of the person filing the denial; and
16 (3) The fact that is being denied which may include denial of a
17 person's authority or status as a partner. A statement of denial is a
18 limitation on authority as provided in Section 303 (d) and (e).

19
20 SECTION 305. PARTNERSHIP LIABLE FOR PARTNER'S ACTIONABLE CONDUCT.

21 (a) A partnership is liable for loss or injury caused to a
22 person, or for a penalty incurred, as a result of a wrongful act or omission,
23 or other actionable conduct, of a partner acting in the ordinary course of
24 business of the partnership or with authority of the partnership.

25 (b) If, in the course of the partnership's business or while
26 acting with authority of the partnership, a partner receives or causes the
27 partnership to receive money or property of a person not a partner, and the
28 money or property is misapplied by a partner, the partnership is liable for
29 the loss.

30
31 SECTION 306. PARTNER'S LIABILITY.

32 (a) Except as otherwise provided in subsections (b) and (c), all
33 partners are liable jointly and severally for all obligations of the
34 partnership unless otherwise agreed by the claimant or provided by law.

35 (b) A person admitted as a partner into an existing partnership
36 is not personally liable for any partnership obligation incurred before the

1 person's admission as a partner.

2 (c) An obligation of a partnership incurred while the partnership
3 is a limited liability partnership, whether arising in contract, tort, or
4 otherwise, is solely the obligation of the partnership. A partner is not
5 personally liable, directly or indirectly, by way of contribution or
6 otherwise, for such a partnership obligation solely by reason of being or so
7 acting as a partner. This subsection applies notwithstanding anything
8 inconsistent in the partnership agreement that existed immediately before the
9 vote required to become a limited liability partnership under Section 1001(b).

10
11 SECTION 307. ACTIONS BY AND AGAINST PARTNERSHIP AND PARTNERS.

12 (a) A partnership may sue and be sued in the name of the
13 partnership.

14 (b) An action may be brought against the partnership and, to the
15 extent not inconsistent with Section 306, any or all of the partners in the
16 same action or in separate actions.

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

20 (d) A judgment creditor of a partner may not levy execution
21 against the assets of the partner to satisfy a judgment based on a claim
22 against the partnership unless the partner is personally liable for the claim
23 under Section 306 and:

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

27 (2) the partnership is a debtor in bankruptcy;

28 (3) the partner has agreed that the creditor need not
29 exhaust partnership assets;

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

36 (5) liability is imposed on the partner by law or contract

1 independent of the existence of the partnership.

2 (e) This section applies to any partnership liability or
3 obligation resulting from a representation by a partner or purported partner
4 under Section 308.

5
6 SECTION 308. LIABILITY OF PURPORTED PARTNER.

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

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

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

33 (d) 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 dissociation from
36 the partnership.

1 the partners.

2 (j) A difference arising as to a matter in the ordinary course of
3 business of a partnership may be decided by a majority of the partners. An
4 act outside the ordinary course of business of a partnership and an amendment
5 to the partnership agreement may be undertaken only with the consent of all of
6 the partners.

7 (k) This section does not affect the obligations of a partnership
8 to other persons under Section 301.

9
10 SECTION 402. DISTRIBUTIONS IN KIND. A partner has no right to receive,
11 and may not be required to accept, a distribution in kind.

12
13 SECTION 403. PARTNER'S RIGHTS AND DUTIES WITH RESPECT TO INFORMATION.

14 (a) A partnership shall keep its books and records, if any, at
15 its chief executive office.

16 (b) A partnership shall provide partners and their agents and
17 attorneys access to its books and records. It shall provide former partners
18 and their agents and attorneys access to books and records pertaining to the
19 period during which they were partners. The right of access provides the
20 opportunity to inspect and copy books and records during ordinary business
21 hours. A partnership may impose a reasonable charge, covering the costs of
22 labor and material, for copies of documents furnished.

23 (c) Each partner and the partnership shall furnish to a partner,
24 and to the legal representative of a deceased partner or partner under legal
25 disability:

26 (1) without demand, any information concerning the
27 partnership's business and affairs reasonably required for the proper exercise
28 of the partner's rights and duties under the partnership agreement or this
29 Act; and

30 (2) on demand, any other information concerning the
31 partnership's business and affairs, except to the extent the demand or the
32 information demanded is unreasonable or otherwise improper under the
33 circumstances.

34
35 SECTION 404. GENERAL STANDARDS OF PARTNER'S CONDUCT.

36 (a) The only fiduciary duties a partner owes to the partnership

1 and the other partners are the duty of loyalty and the duty of care set forth
2 in subsections (b) and (c).

3 (b) A partner's duty of loyalty to the partnership and the other
4 partners is limited to the following:

5 (1) to account to the partnership and hold as trustee for it
6 any property, profit, or benefit derived by the partner in the conduct and
7 winding up of the partnership business or derived from a use by the partner
8 of partnership property, including the appropriation of a partnership
9 opportunity;

10 (2) to refrain from dealing with the partnership in the
11 conduct or winding up of the partnership business as or on behalf of a party
12 having an interest adverse to the partnership; and

13 (3) to refrain from competing with the partnership in the
14 conduct of the partnership business before the dissolution of the partnership.

15 (c) A partner's duty of care to the partnership and the other
16 partners in the conduct and winding up of the partnership business is limited
17 to refraining from engaging in grossly negligent or reckless conduct,
18 intentional misconduct, or a knowing violation of law.

19 (d) A partner shall discharge the duties to the partnership and
20 the other partners under this Act or under the partnership agreement and
21 exercise any rights consistently with the obligation of good faith and fair
22 dealing.

23 (e) A partner does not violate a duty or obligation under this
24 Act or under the partnership agreement merely because the partner's conduct
25 furtheres the partner's own interest.

26 (f) A partner may lend money to and transact other business with
27 the partnership, and as to each loan or transaction the rights and obligations
28 of the partner are the same as those of a person who is not a partner, subject
29 to other applicable law.

30 (g) This section applies to a person winding up the partnership
31 business as the personal or legal representative of the last surviving partner
32 as if the person were a partner.

33
34 SECTION 405. ACTIONS BY PARTNERSHIP AND PARTNERS.

35 (a) A partnership may maintain an action against a partner for a
36 breach of the partnership agreement, or for the violation of a duty to the

1 partnership, causing harm to the partnership.

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

5 (1) enforce the partner's rights under the partnership
6 agreement;

7 (2) enforce the partner's rights under this Act, including:

8 (i) the partner's rights under Sections 401, 403, or
9 404;

10 (ii) the partner's right on dissociation to have the
11 partner's interest in the partnership purchased pursuant to Section 701 or
12 enforce any other right under Article 6 or 7; or

13 (iii) the partner's right to compel a dissolution and
14 winding up of the partnership business under Section 801 or enforce any other
15 right under Article 8; or

16 (3) enforce the rights and otherwise protect the interests
17 of the partner, including rights and interests arising independently of the
18 partnership relationship.

19 (c) The accrual of, and any time limitation on, a right of action
20 for a remedy under this section is governed by other law. A right to an
21 accounting upon a dissolution and winding up does not revive a claim barred by
22 law.

23
24 SECTION 406. CONTINUATION OF PARTNERSHIP BEYOND DEFINITE TERM OR
25 PARTICULAR UNDERTAKING.

26 (a) If a partnership for a definite term or particular
27 undertaking is continued, without an express agreement, after the expiration
28 of the term or completion of the undertaking, the rights and duties of the
29 partners remain the same as they were at the expiration or completion, so far
30 as is consistent with a partnership at will.

31 (b) If the partners, or those of them who habitually acted in the
32 business during the term or undertaking, continue the business without any
33 settlement or liquidation of the partnership, they are presumed to have agreed
34 that the partnership will continue.

35 ARTICLE 5

36 TRANSFEREES AND CREDITORS OF PARTNER

1 SECTION 501. PARTNER NOT CO-OWNER OF PARTNERSHIP PROPERTY. A partner
2 is not a co-owner of partnership property and has no interest in partnership
3 property which can be transferred, either voluntarily or involuntarily.
4

5 SECTION 502. PARTNER'S TRANSFERABLE INTEREST IN PARTNERSHIP. The only
6 transferable interest of a partner in the partnership is the partner's share
7 of the profits and losses of the partnership and the partner's right to
8 receive distributions. The interest is personal property.
9

10 SECTION 503. TRANSFER OF PARTNER'S TRANSFERABLE INTEREST.

11 (a) A transfer, in whole or in part, of a partner's transferable
12 interest in the partnership:

13 (1) is permissible;

14 (2) does not by itself cause the partner's dissociation or a
15 dissolution and winding up of the partnership business; and

16 (3) does not, as against the other partners or the
17 partnership, entitle the transferee, during the continuance of the
18 partnership, to participate in the management or conduct of the partnership
19 business, to require access to information concerning partnership
20 transactions, or to inspect or copy the partnership books or records.

21 (b) A transferee of a partner's transferable interest in the
22 partnership has a right:

23 (1) to receive, in accordance with the transfer,
24 distributions to which the transferor would otherwise be entitled;

25 (2) to receive upon the dissolution and winding up of the
26 partnership business, in accordance with the transfer, the net amount
27 otherwise distributable to the transferor; and

28 (3) to seek under Section 801(6) a judicial determination
29 that it is equitable to wind up the partnership business.

30 (c) In a dissolution and winding up, a transferee is entitled to
31 an account of partnership transactions only from the date of the latest
32 account agreed to by all of the partners.

33 (d) Upon transfer, the transferor retains the rights and duties
34 of a partner other than the interest in distributions transferred.

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

1 (f) A transfer of a partner's transferable interest in the
2 partnership in violation of a restriction on transfer contained in the
3 partnership agreement is ineffective as to a person having notice of the
4 restriction at the time of transfer.

5
6 SECTION 504. PARTNER'S TRANSFERABLE INTEREST SUBJECT TO CHARGING ORDER.

7 (a) On application by a judgment creditor of a partner or of a
8 partner's transferee, a court having jurisdiction may charge the transferable
9 interest of the judgment debtor to satisfy the judgment. The court may
10 appoint a receiver of the share of the distributions due or to become due to
11 the judgment debtor in respect of the partnership and make all other orders,
12 directions, accounts, and inquiries the judgment debtor might have made or
13 which the circumstances of the case may require.

14 (b) A charging order constitutes a lien on the judgment debtor's
15 transferable interest in the partnership. The court may order a foreclosure
16 of the interest subject to the charging order at any time. The purchaser at
17 the foreclosure sale has the rights of a transferee.

18 (c) At any time before foreclosure, an interest charged may be
19 redeemed:

20 (1) by the judgment debtor;

21 (2) with property other than partnership property, by one or
22 more of the other partners; or

23 (3) with partnership property, by one or more of the other
24 partners with the consent of all of the partners whose interests are not so
25 charged.

26 (d) This Act does not deprive a partner of a right under
27 exemption laws with respect to the partner's interest in the partnership.

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

31 ARTICLE 6

32 PARTNER'S DISSOCIATION

33 SECTION 601. EVENTS CAUSING PARTNER'S DISSOCIATION. A partner is
34 dissociated from a partnership upon the occurrence of any of the following
35 events:

36 (1) the partnership's having notice of the partner's express will

1 to withdraw as a partner or on a later date specified by the partner;

2 (2) an event agreed to in the partnership agreement as causing the
3 partner's dissociation;

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

5 (4) the partner's expulsion by the unanimous vote of the other
6 partners if:

7 (i) it is unlawful to carry on the partnership business with
8 that partner;

9 (ii) there has been a transfer of all or substantially all
10 of that partner's transferable interest in the partnership, other than a
11 transfer for security purposes, or a court order charging the partner's
12 interest, which has not been foreclosed;

13 (iii) within 90 days after the partnership notifies a
14 corporate partner that it will be expelled because it has filed a certificate
15 of dissolution or the equivalent, its charter has been revoked, or its right
16 to conduct business has been suspended by the jurisdiction of its
17 incorporation, there is no revocation of the certificate of dissolution or no
18 reinstatement of its charter or its right to conduct business; or

19 (iv) a partnership that is a partner has been dissolved and
20 its business is being wound up;

21 (5) on application by the partnership or another partner, the
22 partner's expulsion by judicial determination because:

23 (i) the partner engaged in wrongful conduct that adversely
24 and materially affected the partnership business;

25 (ii) the partner willfully or persistently committed a
26 material breach of the partnership agreement or of a duty owed to the
27 partnership or the other partners under Section 404; or

28 (iii) the partner engaged in conduct relating to the
29 partnership business which makes it not reasonably practicable to carry on the
30 business in partnership with the partner;

31 (6) the partner's:

32 (i) becoming a debtor in bankruptcy;

33 (ii) executing an assignment for the benefit of creditors;

34 (iii) seeking, consenting to, or acquiescing in the
35 appointment of a trustee, receiver, or liquidator of that partner or of all or
36 substantially all of that partner's property; or

1 (iv) failing, within 90 days after the appointment, to have
2 vacated or stayed the appointment of a trustee, receiver, or liquidator of the
3 partner or of all or substantially all of the partner's property obtained
4 without the partner's consent or acquiescence, or failing within 90 days after
5 the expiration of a stay to have the appointment vacated;

6 (7) in the case of a partner who is an individual:

7 (i) the partner's death;

8 (ii) the appointment of a guardian or general conservator
9 for the partner; or

10 (iii) a judicial determination that the partner has
11 otherwise become incapable of performing the partner's duties under the
12 partnership agreement;

13 (8) in the case of a partner that is a trust or is acting as a
14 partner by virtue of being a trustee of a trust, distribution of the trust's
15 entire transferable interest in the partnership, but not merely by reason of
16 the substitution of a successor trustee;

17 (9) in the case of a partner that is an estate or is acting as a
18 partner by virtue of being a personal representative of an estate,
19 distribution of the estate's entire transferable interest in the partnership,
20 but not merely by reason of the substitution of a successor personal
21 representative; or

22 (10) termination of a partner who is not an individual,
23 partnership, corporation, trust, or estate.

24
25 SECTION 602. PARTNER'S POWER TO DISSOCIATE; WRONGFUL DISSOCIATION.

26 (a) A partner has the power to dissociate at any time, rightfully
27 or wrongfully, by express will pursuant to Section 601(1).

28 (b) A partner's dissociation is wrongful only if:

29 (1) it is in breach of an express provision of the
30 partnership agreement; or

31 (2) in the case of a partnership for a definite term or
32 particular undertaking, before the expiration of the term or the completion of
33 the undertaking:

34 (i) the partner withdraws by express will, unless the
35 withdrawal follows within 90 days after another partner's dissociation by
36 death or otherwise under Section 601(6) through (10) or wrongful dissociation

1 under this subsection;

2 (ii) the partner is expelled by judicial
3 determination under Section 601(5);

4 (iii) the partner is dissociated by becoming a debtor
5 in bankruptcy; or

6 (iv) in the case of a partner who is not an
7 individual, trust other than a business trust, or estate, the partner is
8 expelled or otherwise dissociated because it willfully dissolved or
9 terminated.

10 (c) A partner who wrongfully dissociates is liable to the
11 partnership and to the other partners for damages caused by the dissociation.
12 The liability is in addition to any other obligation of the partner to the
13 partnership or to the other partners.

14
15 SECTION 603. EFFECT OF PARTNER'S DISSOCIATION.

16 (a) If a partner's dissociation results in a dissolution and
17 winding up of the partnership business, Article 8 applies; otherwise, Article
18 7 applies.

19 (b) Upon a partner's dissociation:

20 (1) the partner's right to participate in the management and
21 conduct of the partnership business terminates, except as otherwise provided
22 in Section 803;

23 (2) the partner's duty of loyalty under Section 404(b)(3)
24 terminates; and

25 (3) the partner's duty of loyalty under Section 404(b)(1)
26 and (2) and duty of care under Section 404(c) continue only with regard to
27 matters arising and events occurring before the partner's dissociation, unless
28 the partner participates in winding up the partnership's business pursuant to
29 Section 803.

30 ARTICLE 7

31 PARTNER'S DISSOCIATION WHEN

32 BUSINESS NOT WOUND UP

33 SECTION 701. PURCHASE OF DISSOCIATED PARTNER'S INTEREST.

34 (a) If a partner is dissociated from a partnership without
35 resulting in a dissolution and winding up of the partnership business under
36 Section 801, the partnership shall cause the dissociated partner's interest in

1 the partnership to be purchased for a buyout price determined pursuant to
2 subsection (b).

3 (b) The buyout price of a dissociated partner's interest is the
4 amount that would have been distributable to the dissociating partner under
5 Section 807(b) if, on the date of dissociation, the assets of the partnership
6 were sold at a price equal to the greater of the liquidation value or the
7 value based on a sale of the entire business as a going concern without the
8 dissociated partner and the partnership were wound up as of that date.
9 Interest must be paid from the date of dissociation to the date of payment.

10 (c) Damages for wrongful dissociation under Section 602(b), and
11 all other amounts owing, whether or not presently due, from the dissociated
12 partner to the partnership, must be offset against the buyout price. Interest
13 must be paid from the date the amount owed becomes due to the date of payment.

14 (d) A partnership shall indemnify a dissociated partner whose
15 interest is being purchased against all partnership liabilities, whether
16 incurred before or after the dissociation, except liabilities incurred by an
17 act of the dissociated partner under Section 702.

18 (e) If no agreement for the purchase of a dissociated partner's
19 interest is reached within 120 days after a written demand for payment, the
20 partnership shall pay, or cause to be paid, in cash to the dissociated partner
21 the amount the partnership estimates to be the buyout price and accrued
22 interest, reduced by any offsets and accrued interest under subsection (c).

23 (f) If a deferred payment is authorized under subsection (h), the
24 partnership may tender a written offer to pay the amount it estimates to be
25 the buyout price and accrued interest, reduced by any offsets under subsection
26 (c), stating the time of payment, the amount and type of security for payment,
27 and the other terms and conditions of the obligation.

28 (g) The payment or tender required by subsection (e) or (f) must
29 be accompanied by the following:

30 (1) a statement of partnership assets and liabilities as of
31 the date of dissociation;

32 (2) the latest available partnership balance sheet and
33 income statement, if any;

34 (3) an explanation of how the estimated amount of the
35 payment was calculated; and

36 (4) written notice that the payment is in full satisfaction

1 of the obligation to purchase unless, within 120 days after the written
2 notice, the dissociated partner commences an action to determine the buyout
3 price, any offsets under subsection (c), or other terms of the obligation to
4 purchase.

5 (h) A partner who wrongfully dissociates before the expiration of
6 a definite term or the completion of a particular undertaking is not entitled
7 to payment of any portion of the buyout price until the expiration of the term
8 or completion of the undertaking, unless the partner establishes to the
9 satisfaction of the court that earlier payment will not cause undue hardship
10 to the business of the partnership. A deferred payment must be adequately
11 secured and bear interest.

12 (i) A dissociated partner may maintain an action against the
13 partnership, pursuant to Section 405(b)(2)(ii), to determine the buyout price
14 of that partner's interest, any offsets under subsection (c), or other terms
15 of the obligation to purchase. The action must be commenced within 120 days
16 after the partnership has tendered payment or an offer to pay or within one
17 year after written demand for payment if no payment or offer to pay is
18 tendered. The court shall determine the buyout price of the dissociated
19 partner's interest, any offset due under subsection (c), and accrued interest,
20 and enter judgment for any additional payment or refund. If deferred payment
21 is authorized under subsection (h), the court shall also determine the
22 security for payment and other terms of the obligation to purchase. The court
23 may assess reasonable attorney's fees and the fees and expenses of appraisers
24 or other experts for a party to the action, in amounts the court finds
25 equitable, against a party that the court finds acted arbitrarily,
26 vexatiously, or not in good faith. The finding may be based on the
27 partnership's failure to tender payment or an offer to pay or to comply with
28 subsection (g).

29
30 SECTION 702. DISSOCIATED PARTNER'S POWER TO BIND AND LIABILITY TO
31 PARTNERSHIP.

32 (a) For two years after a partner dissociates without resulting
33 in a dissolution and winding up of the partnership business, the partnership,
34 including a surviving partnership under Article 9, is bound by an act of the
35 dissociated partner which would have bound the partnership under Section 301
36 before dissociation only if at the time of entering into the transaction the

1 other party:

2 (1) reasonably believed that the dissociated partner was
3 then a partner;

4 (2) did not have notice of the partner's dissociation; and

5 (3) is not deemed to have had knowledge under Section 303(e)
6 or notice under Section 704(c).

7 (b) A dissociated partner is liable to the partnership for any
8 damage caused to the partnership arising from an obligation incurred by the
9 dissociated partner after dissociation for which the partnership is liable
10 under subsection (a).

11
12 SECTION 703. DISSOCIATED PARTNER'S LIABILITY TO OTHER PERSONS.

13 (a) A partner's dissociation does not of itself discharge the
14 partner's liability for a partnership obligation incurred before dissociation.
15 A dissociated partner is not liable for a partnership obligation incurred
16 after dissociation, except as otherwise provided in subsection (b).

17 (b) A partner who dissociates without resulting in a dissolution
18 and winding up of the partnership business is liable as a partner to the other
19 party in a transaction entered into by the partnership, or a surviving
20 partnership under Article 9, within two years after the partner's
21 dissociation, only if the partner is liable for the obligation under Section
22 306 and at the time of entering into the transaction the other party:

23 (1) reasonably believed that the dissociated partner was
24 then a partner;

25 (2) did not have notice of the partner's dissociation; and

26 (3) is not deemed to have had knowledge under Section 303(e)
27 or notice under Section 704(c).

28 (c) By agreement with the partnership creditor and the partners
29 continuing the business, a dissociated partner may be released from liability
30 for a partnership obligation.

31 (d) A dissociated partner is released from liability for a
32 partnership obligation if a partnership creditor, with notice of the partner's

33
34 SECTION 704. STATEMENT OF DISSOCIATION.

35 (a) A dissociated partner or the partnership may file a statement
36 of dissociation stating:

- 1 (1) The name of the partnership;
- 2 (2) The name and mailing address of the dissociated partner;
- 3 (3) That the partner is dissociated from the partnership; and
- 4 (4) The date the dissociation is effective.

5 (b) A statement of dissociation is a limitation on the authority
6 of a dissociated partner for the purposes of Section 303(d) and (e).

7 (c) For the purposes of Sections 702(a)(3) and 703(b)(3), a
8 person not a partner is deemed to have notice of the dissociation 90 days
9 after the statement of dissociation is filed.

10
11 SECTION 705. CONTINUED USE OF PARTNERSHIP NAME. Continued use of a
12 partnership name, or a dissociated partner's name as part thereof, by partners
13 continuing the business does not of itself make the dissociated partner liable
14 for an obligation of the partners or the partnership continuing the business.

15 ARTICLE 8

16 WINDING UP PARTNERSHIP BUSINESS

17 SECTION 801. EVENTS CAUSING DISSOLUTION AND WINDING UP OF PARTNERSHIP
18 BUSINESS. A partnership is dissolved, and its business must be wound up, only
19 upon the occurrence of any of the following events:

20 (1) in a partnership at will, the partnership's having notice from
21 a partner, other than a partner who is dissociated under Section 601(2)
22 through (10), of that partner's express will to withdraw as a partner, or on a
23 later date specified by the partner;

24 (2) in a partnership for a definite term or particular
25 undertaking:

26 (i) within 90 days after a partner's dissociation by death
27 or otherwise under Section 601(6) through (10) or wrongful dissociation under
28 Section 602(b), the express will of at least half of the remaining partners to
29 wind up the partnership business, for which purpose a partner's rightful
30 dissociation pursuant to Section 602(b)(2)(i) constitutes the expression of
31 that partner's will to wind up the partnership business;

32 (ii) the express will of all of the partners to wind up the
33 partnership business; or

34 (iii) the expiration of the term or the completion of the
35 undertaking;

36 (3) an event agreed to in the partnership agreement resulting in

1 the winding up of the partnership business;

2 (4) an event that makes it unlawful for all or substantially all
3 of the business of the partnership to be continued, but a cure of illegality
4 within 90 days after notice to the partnership of the event is effective
5 retroactively to the date of the event for purposes of this section;

6 (5) on application by a partner, a judicial determination that:

7 (i) the economic purpose of the partnership is likely to be
8 unreasonably frustrated;

9 (ii) another partner has engaged in conduct relating to the
10 partnership business which makes it not reasonably practicable to carry on the
11 business in partnership with that partner; or

12 (iii) it is not otherwise reasonably practicable to carry on
13 the partnership business in conformity with the partnership agreement; or

14 (6) on application by a transferee of a partner's transferable
15 interest, a judicial determination that it is equitable to wind up the
16 partnership business:

17 (i) after the expiration of the term or completion of the
18 undertaking, if the partnership was for a definite term or particular
19 undertaking at the time of the transfer or entry of the charging order that
20 gave rise to the transfer; or

21 (ii) at any time, if the partnership was a partnership at
22 will at the time of the transfer or entry of the charging order that gave rise
23 to the transfer.

24
25 SECTION 802. PARTNERSHIP CONTINUES AFTER DISSOLUTION.

26 (a) Subject to subsection (b), a partnership continues after
27 dissolution only for the purpose of winding up its business. The partnership
28 is terminated when the winding up of its business is completed.

29 (b) At any time after the dissolution of a partnership and before
30 the winding up of its business is completed, all of the partners, including
31 any dissociating partner other than a wrongfully dissociating partner, may
32 waive the right to have the partnership's business wound up and the
33 partnership terminated. In that event:

34 (1) the partnership resumes carrying on its business as if
35 dissolution had never occurred, and any liability incurred by the partnership
36 or a partner after the dissolution and before the waiver is determined as if

1 dissolution had never occurred; and

2 (2) the rights of a third party accruing under Section
3 804(1) or arising out of conduct in reliance on the dissolution before the
4 third party knew or received a notification of the waiver may not be adversely
5 affected.

6
7 SECTION 803. RIGHT TO WIND UP PARTNERSHIP BUSINESS.

8 (a) After dissolution, a partner who has not wrongfully
9 dissociated may participate in winding up the partnership's business, but on
10 application of any partner, partner's legal representative, or transferee, the
11 court, for good cause shown, may order judicial supervision of the winding up.

12 (b) The legal representative of the last surviving partner may
13 wind up a partnership's business.

14 (c) A person winding up a partnership's business may preserve the
15 partnership business or property as a going concern for a reasonable time,
16 prosecute and defend actions and proceedings, whether civil, criminal, or
17 administrative, settle and close the partnership's business, dispose of and
18 transfer the partnership's property, discharge the partnership's liabilities,
19 distribute the assets of the partnership pursuant to Section 807, settle
20 disputes by mediation or arbitration, and perform other necessary acts.

21
22 SECTION 804. PARTNER'S POWER TO BIND PARTNERSHIP AFTER DISSOLUTION.

23 Subject to Section 805, a partnership is bound by a partner's act after
24 dissolution that:

25 (1) is appropriate for winding up the partnership business; or
26 (2) would have bound the partnership under Section 301 before
27 dissolution, if the other party to the transaction did not have notice of the
28 dissolution.

29
30 SECTION 805. STATEMENT OF DISSOLUTION.

31 (a) After dissolution, a partner who has not wrongfully
32 dissociated may file a statement of dissolution stating the name of the
33 partnership and that the partnership has dissolved and is winding up its
34 business.

35 (b) A statement of dissolution cancels a filed statement of
36 partnership authority for the purposes of Section 303(d) and is a limitation

1 on authority for the purposes of Section 303(e).

2 (c) For the purposes of Sections 301 and 804, a person not a
3 partner is deemed to have notice of the dissolution and the limitation on the
4 partners' authority as a result of the statement of dissolution 90 days after
5 it is filed.

6 (d) After filing and, if appropriate, recording a statement of
7 dissolution, a dissolved partnership may file and, if appropriate, record a
8 statement of partnership authority which will operate with respect to a person
9 not a partner as provided in Section 303(d) and (e) in any transaction,
10 whether or not the transaction is appropriate for winding up the partnership
11 business.

12
13 SECTION 806. PARTNER'S LIABILITY TO OTHER PARTNERS AFTER DISSOLUTION.

14 (a) Except as otherwise provided in subsection (b) and Section
15 306, after dissolution a partner is liable to the other partners for the
16 partner's share of any partnership liability incurred under Section 804.

17 (b) A partner who, with knowledge of the dissolution, incurs a
18 partnership liability under Section 804(2) by an act that is not appropriate
19 for winding up the partnership business is liable to the partnership for any
20 damage caused to the partnership arising from the liability.

21
22 SECTION 807. SETTLEMENT OF ACCOUNTS AND CONTRIBUTIONS AMONG PARTNERS.

23 (a) In winding up a partnership's business, the assets of the
24 partnership, including the contributions of the partners required by this
25 section, must be applied to discharge its obligations to creditors, including,
26 to the extent permitted by law, partners who are creditors. Any surplus must
27 be applied to pay in cash the net amount distributable to partners in
28 accordance with their right to distributions under subsection (b).

29 (b) Each partner is entitled to a settlement of all partnership
30 accounts upon winding up the partnership business. In settling accounts among
31 the partners, profits and losses that result from the liquidation of the
32 partnership assets must be credited and charged to the partners' accounts.
33 The partnership shall make a distribution to a partner in an amount equal to
34 any excess of the credits over the charges in the partner's account. A
35 partner shall contribute to the partnership an amount equal to any excess of
36 the charges over the credits in the partner's account but excluding from the

1 calculation charges attributable to an obligation for which the partner is not
2 personally liable under Section 306.

3 (c) If a partner fails to contribute the full amount required
4 under subsection (b), all of the other partners shall contribute, in the
5 proportions in which those partners share partnership losses, the additional
6 amount necessary to satisfy the partnership obligations for which they are
7 personally liable under Section 306. A partner or partner's legal
8 representative may recover from the other partners any contributions the
9 partner makes to the extent the amount contributed exceeds that partner's
10 share of the partnership obligations for which the partner is personally
11 liable under Section 306.

12 (d) After the settlement of accounts, each partner shall
13 contribute, in the proportion in which the partner shares partnership losses,
14 the amount necessary to satisfy partnership obligations that were not known at
15 the time of the settlement and for which the partner is personally liable
16 under Section 306.

17 (e) The estate of a deceased partner is liable for the partner's
18 obligation to contribute to the partnership.

19 (f) An assignee for the benefit of creditors of a partnership or
20 a partner, or a person appointed by a court to represent creditors of a
21 partnership or a partner, may enforce a partner's obligation to contribute to
22 the partnership.

23 ARTICLE 9

24 CONVERSIONS AND MERGERS

25 SECTION 901. DEFINITIONS. In this article:

26 (1) "General partner" means a partner in a partnership and a
27 general partner in a limited partnership.

28 (2) "Limited partner" means a limited partner in a limited
29 partnership.

30 (3) "Limited partnership" means a limited partnership created
31 under the Revised Limited Partnership Act of 1991, predecessor law, or
32 comparable law of another jurisdiction.

33 (4) "Partner" includes both a general partner and a limited
34 partner.

35
36 SECTION 902. CONVERSION OF PARTNERSHIP TO LIMITED PARTNERSHIP.

1 (a) A partnership may be converted to a limited partnership
2 pursuant to this section.

3 (b) The terms and conditions of a conversion of a partnership to
4 a limited partnership must be approved by all of the partners or by a number
5 or percentage specified for conversion in the partnership agreement.

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

10 (1) a statement that the partnership was converted to a
11 limited partnership from a partnership;

12 (2) its former name; and

13 (3) a statement of the number of votes cast by the partners
14 for and against the conversion and, if the vote is less than unanimous, the
15 number or percentage required to approve the conversion under the partnership
16 agreement.

17 (d) The conversion takes effect when the certificate of limited
18 partnership is filed or at any later date specified in the certificate.

19 (e) A general partner who becomes a limited partner as a result
20 of the conversion remains liable as a general partner for an obligation
21 incurred by the partnership before the conversion takes effect. If the other
22 party to a transaction with the limited partnership reasonably believes when
23 entering the transaction that the limited partner is a general partner, the
24 limited partner is liable for an obligation incurred by the limited
25 partnership within 90 days after the conversion takes effect. The limited
26 partner's liability for all other obligations of the limited partnership
27 incurred after the conversion takes effect is that of a limited partner as
28 provided in the Revised Limited Partnership Act of 1991.

29
30 SECTION 903. CONVERSION OF LIMITED PARTNERSHIP TO PARTNERSHIP.

31 (a) A limited partnership may be converted to a partnership
32 pursuant to this section.

33 (b) Notwithstanding a provision to the contrary in a limited
34 partnership agreement, the terms and conditions of a conversion of a limited
35 partnership to a partnership must be approved by all of the partners.

36 (c) After the conversion is approved by the partners, the limited

1 partnership shall cancel its certificate of limited partnership.

2 (d) The conversion takes effect when the certificate of limited
3 partnership is canceled.

4 (e) A limited partner who becomes a general partner as a result
5 of the conversion remains liable only as a limited partner for an obligation
6 incurred by the limited partnership before the conversion takes effect.
7 Except as otherwise provided in Section 306, the partner is liable as a
8 general partner for an obligation of the partnership incurred after the
9 conversion takes effect.

10
11 SECTION 904. EFFECT OF CONVERSION; ENTITY UNCHANGED.

12 (a) A partnership or limited partnership that has been converted
13 pursuant to this article is for all purposes the same entity that existed
14 before the conversion.

15 (b) When a conversion takes effect:

16 (1) all property owned by the converting partnership or
17 limited partnership remains vested in the converted entity;

18 (2) all obligations of the converting partnership or limited
19 partnership continue as obligations of the converted entity; and

20 (3) an action or proceeding pending against the converting
21 partnership or limited partnership may be continued as if the conversion had
22 not occurred.

23
24 SECTION 905. MERGER OF PARTNERSHIPS.

25 (a) Pursuant to a plan of merger approved as provided in
26 subsection (c), a partnership may be merged with one or more partnerships or
27 limited partnerships.

28 (b) The plan of merger must set forth:

29 (1) the name of each partnership or limited partnership that
30 is a party to the merger;

31 (2) the name of the surviving entity into which the other
32 partnerships or limited partnerships will merge;

33 (3) whether the surviving entity is a partnership or a
34 limited partnership and the status of each partner;

35 (4) the terms and conditions of the merger;

36 (5) the manner and basis of converting the interests of each

1 party to the merger into interests or obligations of the surviving entity, or
2 into money or other property in whole or part; and

3 (6) the street address of the surviving entity's chief
4 executive office.

5 (c) The plan of merger must be approved:

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

9 (2) in the case of a limited partnership that is a party to
10 the merger, by the vote required for approval of a merger by the law of the
11 State or foreign jurisdiction in which the limited partnership is organized
12 and, in the absence of such a specifically applicable law, by all of the
13 partners, notwithstanding a provision to the contrary in the partnership
14 agreement.

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

17 (e) The merger takes effect on the later of:

18 (1) the approval of the plan of merger by all parties to the
19 merger, as provided in subsection (c);

20 (2) the filing of all documents required by law to be filed
21 as a condition to the effectiveness of the merger; or

22 (3) any effective date specified in the plan of merger.

23
24 SECTION 906. EFFECT OF MERGER.

25 (a) When a merger takes effect:

26 (1) the separate existence of every partnership or limited
27 partnership that is a party to the merger, other than the surviving entity,
28 ceases;

29 (2) all property owned by each of the merged partnerships or
30 limited partnerships vests in the surviving entity;

31 (3) all obligations of every partnership or limited
32 partnership that is a party to the merger become the obligations of the
33 surviving entity; and

34 (4) an action or proceeding pending against a partnership or
35 limited partnership that is a party to the merger may be continued as if the
36 merger had not occurred, or the surviving entity may be substituted as a party

1 to the action or proceeding.

2 (b) The Secretary of State of this State is the agent for service
3 of process in an action or proceeding against a surviving foreign partnership
4 or limited partnership to enforce an obligation of a domestic partnership or
5 limited partnership that is a party to a merger. The surviving entity shall
6 promptly notify the Secretary of State of the mailing address of its chief
7 executive office and of any change of address. Upon receipt of process, the
8 Secretary of State shall mail a copy of the process to the surviving foreign
9 partnership or limited partnership.

10 (c) A partner of the surviving partnership or limited partnership
11 is liable for:

12 (1) all obligations of a party to the merger for which the
13 partner was personally liable before the merger;

14 (2) all other obligations of the surviving entity incurred
15 before the merger by a party to the merger, but those obligations may be
16 satisfied only out of property of the entity; and

17 (3) except as otherwise provided in Section 306, all
18 obligations of the surviving entity incurred after the merger takes effect,
19 but those obligations may be satisfied only out of property of the entity if
20 the partner is a limited partner.

21 (d) If the obligations incurred before the merger by a party to
22 the merger are not satisfied out of the property of the surviving partnership
23 or limited partnership, the general partners of that party immediately before
24 the effective date of the merger shall contribute the amount necessary to
25 satisfy that party's obligations to the surviving entity, in the manner
26 provided in Section 807 or in the Limited Partnership Act of the jurisdiction
27 in which the party was formed, as the case may be, as if the merged party were
28 dissolved.

29 (e) A partner of a party to a merger who does not become a
30 partner of the surviving partnership or limited partnership is dissociated
31 from the entity, of which that partner was a partner, as of the date the
32 merger takes effect. The surviving entity shall cause the partner's interest
33 in the entity to be purchased under Section 701 or another statute
34 specifically applicable to that partner's interest with respect to a merger.
35 The surviving entity is bound under Section 702 by an act of a general partner
36 dissociated under this subsection, and the partner is liable under Section 703

1 for transactions entered into by the surviving entity after the merger takes
2 effect.

3
4 SECTION 907. STATEMENT OF MERGER.

5 (a) After a merger, the surviving partnership or limited
6 partnership may file a statement that one or more partnerships or limited
7 partnerships have merged into the surviving entity.

8 (b) A statement of merger must contain:

9 (1) the name of each partnership or limited partnership that
10 is a party to the merger;

11 (2) the name of the surviving entity into which the other
12 partnerships or limited partnership were merged;

13 (3) the street address of the surviving entity's chief
14 executive office and of an office in this State, if any; and

15 (4) whether the surviving entity is a partnership or a
16 limited partnership.

17 (c) Except as otherwise provided in subsection (d), for the
18 purposes of Section 302, property of the surviving partnership or limited
19 partnership which before the merger was held in the name of another party to
20 the merger is property held in the name of the surviving entity upon filing a
21 statement of merger.

22 (d) For the purposes of Section 302, real property of the
23 surviving partnership or limited partnership which before the merger was held
24 in the name of another party to the merger is property held in the name of the
25 surviving entity upon recording a certified copy of the statement of merger in
26 the office for recording transfers of that real property.

27 (e) A filed and, if appropriate, recorded statement of merger,
28 executed and declared to be accurate pursuant to Section 105(c), stating the
29 name of a partnership or limited partnership that is a party to the merger in
30 whose name property was held before the merger and the name of the surviving
31 entity, but not containing all of the other information required by subsection
32 (b), operates with respect to the partnerships or limited partnerships named
33 to the extent provided in subsections (c) and (d).

34
35 SECTION 908. NONEXCLUSIVE. This article is not exclusive.

36 Partnerships or limited partnerships may be converted or merged in any other

1 manner provided by law.

2 ARTICLE 10

3 LIMITED LIABILITY PARTNERSHIP

4 SECTION 1001. STATEMENT OF QUALIFICATION.

5 (a) A partnership may become a limited liability partnership
6 pursuant to this section.

7 (b) The terms and conditions on which a partnership becomes a
8 limited liability partnership must be approved by the vote necessary to amend
9 the partnership agreement except, in the case of a partnership agreement that
10 expressly considers contribution obligations, the vote necessary to amend
11 those provisions.

12 (c) After the approval required by subsection (b), a partnership
13 may become a limited liability partnership by filing a statement of
14 qualification. The statement must contain:

15 (1) the name of the partnership;

16 (2) the street address of the partnership's chief executive
17 office and, if different, the street address of an office in this State, if
18 any;

19 (3) if there is no office in this State, the name and street
20 address of the partnership's agent for service of process who must be an
21 individual resident of this State or any other person authorized to do
22 business in this State;

23 (4) a statement that the partnership elects to be a limited
24 liability partnership; and

25 (5) a deferred effective date, if any.

26 (d) The status of a partnership as a limited liability
27 partnership is effective on the later of the filing of the statement or a
28 date specified in the statement. The status remains effective, regardless of
29 changes in the partnership, until it is canceled pursuant to Section 105(d) or
30 revoked pursuant to Section 1003.

31 (e) The status of a partnership as a limited liability
32 partnership and the liability of its partners is not affected by errors or
33 later changes in the information required to be contained in the statement of
34 qualification under subsection (c).

35 (f) The filing of a statement of qualification establishes that a
36 partnership has satisfied all conditions precedent to the qualification of the

1 partnership as a limited liability partnership.

2 (g) An amendment or cancellation of a statement of qualification
3 is effective when it is filed or on a deferred effective date specified in the
4 amendment or cancellation.

5
6 SECTION 1002. NAME. The name of a limited liability partnership must
7 end with "Registered Limited Liability Partnership", "Limited Liability
8 Partnership", "R.L.L.P.", "L.L.P.", "RLLP," or "LLP".

9
10 SECTION 1003. ANNUAL REPORT.

11 (a) A limited liability partnership, and a foreign limited
12 liability partnership authorized to transact business in this State, shall
13 file an annual report in the office of the Secretary of State which contains:

14 (1) the name of the limited liability partnership and the
15 State or other jurisdiction under whose laws the foreign limited liability
16 partnership is formed;

17 (2) the current street address of the partnership's chief
18 executive office and, if different, the current street address of an office in
19 this State, if any; and

20 (3) if there is no current office in this State, the name
21 and street address of the partnership's current agent for service of process
22 who must be an individual resident of this State or any other person
23 authorized to do business in this State.

24 (b) An annual report must be filed between January 1 and April 1
25 of each year following the calendar year in which a partnership files a
26 statement of qualification or a foreign partnership becomes authorized to
27 transact business in this State.

28 (c) The Secretary of State may administratively revoke the
29 statement of qualification of a partnership that fails to file an annual
30 report when due or to pay the required filing fee. The Secretary of State
31 shall provide the partnership at least 60 days' written notice of intent to
32 revoke the statement. The notice must be mailed to the partnership at its
33 chief executive office set forth in the last filed statement of qualification
34 or annual report. The notice must specify the annual report that has not been
35 filed, the fee that has not been paid, and the effective date of the
36 revocation. The revocation is not effective if the annual report is filed and

1 the fee is paid before the effective date of the revocation.

2 (d) A revocation under subsection (c) only affects a
3 partnership's status as a limited liability partnership and is not an event of
4 dissolution of the partnership.

5 (e) A partnership whose statement of qualification has been
6 administratively revoked may apply to the Secretary of State for reinstatement
7 within two years after the effective date of the revocation. The application
8 must state:

9 (1) the name of the partnership and the effective date of
10 the revocation; and

11 (2) that the ground for revocation either did not exist or
12 has been corrected.

13 (f) A reinstatement under subsection (e) relates back to and
14 takes effect as of the effective date of the revocation, and the partnership's
15 status as a limited liability partnership continues as if the revocation had
16 never occurred.

17 ARTICLE 11

18 FOREIGN LIMITED LIABILITY PARTNERSHIP

19 SECTION 1101. LAW GOVERNING FOREIGN LIMITED LIABILITY PARTNERSHIP.

20 (a) The laws under which a foreign limited liability partnership
21 is formed govern relations among the partners and between the partners and the
22 partnership and the liability of partners for obligations of the partnership.

23 (b) A foreign limited liability partnership may not be denied a
24 statement of foreign qualification by reason of any difference between the
25 laws under which the partnership was formed and the laws of this State.

26 (c) A statement of foreign qualification does not authorize a
27 foreign limited liability partnership to engage in any business or exercise
28 any power that a partnership may not engage in or exercise in this State as a
29 limited liability partnership.

30
31 SECTION 1102. STATEMENT OF FOREIGN QUALIFICATION.

32 (a) Before transacting business in this State, a foreign limited
33 liability partnership must file a statement of foreign qualification. The
34 statement must contain:

35 (1) the name of the foreign limited liability partnership
36 which satisfies the requirements of the State or other jurisdiction under

1 whose laws it is formed and ends with "Registered Limited Liability
2 Partnership", "Limited Liability Partnership", "R.L.L.P.", "L.L.P.", "RLLP,"
3 or "LLP";

4 (2) the street address of the partnership's chief executive
5 office and, if different, the street address of an office in this State, if
6 any;

7 (3) if there is no office in this State, the name and street
8 address of the partnership's agent for service of process who must be an
9 individual resident of this State or any other person authorized to do
10 business in this State; and

11 (4) a deferred effective date, if any.

12 (b) The status of a partnership as a foreign limited liability
13 partnership is effective on the later of the filing of the statement of
14 foreign qualification or a date specified in the statement. The status
15 remains effective, regardless of changes in the partnership, until it is
16 cancelled pursuant to Section 105(d) or revoked pursuant to Section 1003.

17 (c) An amendment or cancellation of a statement of foreign
18 qualification is effective when it is filed or on a deferred effective date
19 specified in the amendment or cancellation.

20
21 SECTION 1103. EFFECT OF FAILURE TO QUALIFY.

22 (a) A foreign limited liability partnership transacting business
23 in this State may not maintain an action or proceeding in this State unless it
24 has in effect a statement of foreign qualification.

25 (b) The failure of a foreign limited liability partnership to
26 have in effect a statement of foreign qualification does not impair the
27 validity of a contract or act of the foreign limited liability partnership or
28 preclude it from defending an action or proceeding in this State.

29 (c) Limitations on personal liability of partners are not waived
30 solely by transacting business in this State without a statement of foreign
31 qualification.

32 (d) If a foreign limited liability partnership transacts business
33 in this State without a statement of foreign qualification, the Secretary of
34 State is its agent for service of process with respect to claims for relief
35 arising out of the transaction of business in this State.

36

1 SECTION 1104. ACTIVITIES NOT CONSTITUTING TRANSACTING BUSINESS.

2 (a) Activities of a foreign limited liability partnership which
3 do not constitute transacting business within the meaning of this article
4 include:

5 (1) maintaining, defending, or settling an action or
6 proceeding;

7 (2) holding meetings of its partners or carrying on any
8 other activity concerning its internal affairs;

9 (3) maintaining bank accounts;

10 (4) maintaining offices or agencies for the transfer,
11 exchange, and registration of the partnership's own securities or maintaining
12 trustees or depositories with respect to those securities;

13 (5) selling through independent contractors;

14 (6) soliciting or obtaining orders, whether by mail or
15 through employees or agents or otherwise, if the orders require acceptance
16 outside this State before they become contracts;

17 (7) creating or acquiring indebtedness, mortgages, or
18 security interests in real or personal property;

19 (8) securing or collecting debts or foreclosing mortgages or
20 other security interests in property securing the debts, and holding,
21 protecting, and maintaining property so acquired;

22 (9) conducting an isolated transaction that is completed
23 within 30 days and is not one in the course of similar transactions of like
24 nature; and

25 (10) transacting business in interstate commerce.

26 (b) For purposes of this article, the ownership in this State of
27 income-producing real property or tangible personal property, other than
28 property excluded under subsection (a), constitutes transacting business in
29 this State.

30 (c) This section does not apply in determining the contacts or
31 activities that may subject a foreign limited liability partnership to service
32 of process, taxation, or regulation under any other law of this State.

33
34 SECTION 1105. ACTION BY ATTORNEY GENERAL. The Attorney General may
35 maintain an action to restrain a foreign limited liability partnership from
36 transacting business in this State in violation of this article.

ARTICLE 12

MISCELLANEOUS PROVISIONS

SECTION 1201. UNI FORMITY OF APPLI CATION AND CONSTRUCTION. This Act shall be applied and construed to effectuate its general purpose to make uni form the law with respect to the subject of this Act among States enacting it.

SECTION 1202. SHORT TITLE. This Act may be cited as the Uni form Partnership Act (1996).

SECTION 1203. EFFECTIVE DATE. This Act takes effect January 1, 2000.

SECTION 1204. REPEALS. Effective January 1, 2005, the following sections of the Arkansas Code are repealed: ACA §§ 4-42-101 through 4-42-702.

SECTION 1205. APPLI CABILITY.

(a) Before January 1, 2005, this Act governs only a partnership formed:

(1) after the effective date of this Act, unless that partnership is continuing the business of a dissolved partnership under Section 41 of the prior Uni form Partnership Act; and

(2) before the effective date of this Act, that elects, as provided by subsection (c), to be governed by this Act.

(b) Beginning January 1, 2005, this Act governs all partnerships.

(c) Before January 1, 2005, a partnership voluntarily may elect, in the manner provided in its partnership agreement or by law for amending the partnership agreement, to be governed by this Act. The provisions of this Act relating to the liability of the partnership's partners to third parties apply to limit those partners' liability to a third party who had done business with the partnership within one year preceding the partnership's election to be governed by this Act, only if the third party knows or has received a notification of the partnership's election to be governed by this Act.

SECTION 1206. SAVINGS CLAUSE. This Act does not affect an action or proceeding commenced or right accrued before this Act takes effect.

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SECTION 1207. FEES.

(a) The cost for filing the initial document with the Secretary of State under this Act shall be fifty dollars (\$50.00) for a domestic partnership and three hundred dollars (\$300) for a foreign partnership. The cost for filing all other documents with the Secretary of State under this Act, whether domestic or foreign, shall be fifteen dollars (\$15.00).

(b) If the initial filing with the Secretary of State under this Act is the annual report, the cost shall be fifteen dollars (\$15.00).

SECTION 1208. All provisions of this act of a general and permanent nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code Revision Commission shall incorporate the same in the Code.

SECTION 1209. If any provision of this act or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to this end the provisions of this act are declared to be severable.

SECTION 1210. All laws and parts of laws in conflict with this act are hereby repealed.

/s/ Gordon, et al

APPROVED: 4/15/1999