



# HOUSE BILL No. 5593

May 31 1994 Introduced by Reps Profit Dobb, Randall Palamara, Munsell Keith Middaugh Alley Yokich and Murphy and referred to the Committee on Business and Finance

A bill to amend the title and sections 15 18, 34, 36 and 40 of Act No 72 of the Public Acts of 1917 entitled  
Uniform partnership act

being sections 449 15, 449 18, 449 34, 449 36 and 449 40 of the Michigan Compiled Laws and to add sections 44, 45 46 and 47

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT

1 Section 1 The title and sections 15 18 34 36 and 40 of  
2 Act No 72 of the Public Acts of 1917 being sections 449 15  
3 449 18 449 34 449 36 and 449 40 of the Michigan Compiled Laws,  
4 are amended and sections 44 45 46 and 47 are added to read as  
5 follows

### TITLE

6  
7 An act to define ~~what shall constitute~~ partnerships the  
8 relation of partners to persons dealing with the partnership the  
9 relation of partners to one another to provide for the

1 dissolution and winding up of partnerships TO PRESCRIBE THE  
2 POWERS AND DUTIES OF CERTAIN STATE AGENCIES AND OFFICIALS and to  
3 make uniform the law relating ~~thereto~~ TO PARTNERSHIPS

4 Sec 15 (Nature of partner's liability) ~~All~~ EXCEPT AS  
5 OTHERWISE PROVIDED BY SECTION 46, ALL partners are liable FOR  
6 BOTH OF THE FOLLOWING

7 (a) Jointly and severally for everything chargeable to the  
8 partnership under sections 13 and 14 —

9 (b) Jointly for all other debts and obligations of the  
10 partnership ~~but any~~ HOWEVER, A partner may enter into a sep-  
11 arate obligation to perform a partnership contract

12 Sec 18 (Rules determining rights and duties of  
13 partners) The rights and duties of the partners in relation to  
14 the partnership shall be determined, subject to any agreement  
15 between them by ALL OF the following rules

16 (a) Each partner shall be repaid his OR HER contributions  
17 whether by way of capital or advances to the partnership property  
18 and share equally in the profits and surplus remaining after all  
19 liabilities including those to partners are satisfied ~~and~~  
20 ~~must~~ EXCEPT AS PROVIDED IN SECTION 46 EACH PARTNER SHALL con-  
21 tribute towards the losses, whether of capital or otherwise sus-  
22 tained by the partnership according to his OR HER share in the  
23 profits —

24 (b) The partnership ~~must~~ SHALL indemnify every partner in  
25 respect of payments made and personal liabilities reasonably  
26 incurred by him OR HER in the ordinary and proper conduct of its

1 business or for the preservation of its business or property

2 —

3 (c) A partner, who in aid of the partnership makes any pay-  
4 ment or advance beyond the amount of capital which he OR SHE  
5 agreed to contribute shall be paid interest from the date of the  
6 payment or advance —

7 (d) A partner shall receive interest on the capital contrib-  
8 uted by him ~~only~~ OR HER from the date when repayment should be  
9 made —

10 (e) All partners have equal rights in the management and  
11 conduct of the partnership business —

12 (f) ~~No~~ A partner is NOT entitled to remuneration for  
13 acting in the partnership business except that a surviving part-  
14 ner is entitled to reasonable compensation for his OR HER serv-  
15 ices in winding up the partnership affairs —

16 (g) ~~No~~ A person ~~can~~ CANNOT become a member of a partner-  
17 ship without the consent of all partners —

18 (h) Any difference arising as to ordinary matters connected  
19 with the partnership business may be decided by a majority of the  
20 partners ~~—but no~~ HOWEVER, AN act in contravention of any  
21 agreement between the partners may NOT be done rightfully without  
22 the consent of all the partners

23 Sec 34 (Right of partner to contribution from copartners  
24 after dissolution) ~~—where the~~ EXCEPT AS OTHERWISE PROVIDED BY  
25 SECTION 46 IF dissolution is caused by the act death or bank-  
26 ruptcy of a partner each partner is liable to his OR HER  
27 copartners for his OR HER share of any liability created by any

1 partner acting for the partnership as if the partnership had not  
2 been dissolved unless THIS DISSOLUTION IS CAUSED BY 1 OF THE  
3 FOLLOWING

4 (a) The dissolution being by act of any partner ~~—~~ AND the  
5 partner acting for the partnership had knowledge of the  
6 dissolution ~~— or —~~

7 (b) The dissolution being by the death or bankruptcy of a  
8 partner ~~—~~ AND the partner acting for the partnership had knowl-  
9 edge or notice of the death or bankruptcy

10 Sec 36 (Effect of dissolution on partner s existing  
11 liability)

12 (1) The dissolution of the partnership does not ~~of itself~~  
13 discharge the existing liability of any partner ~~—~~

14 (2) A partner is discharged from ~~any~~ existing liability  
15 upon dissolution of the partnership by an agreement to that  
16 effect between ~~himself~~ THE PARTNER the partnership creditor,  
17 and the person or partnership continuing the business ~~— and~~  
18 ~~such~~ AN agreement may be inferred from the course of dealing  
19 between the creditor having knowledge of the dissolution and the  
20 person or partnership continuing the business ~~—~~

21 (3) ~~where~~ IF a person agrees to assume the existing obli-  
22 gations of a dissolved partnership the partners whose obliga-  
23 tions have been assumed shall be discharged from ~~any~~ liability  
24 to any creditor of the partnership who, knowing of the agreement,  
25 consents to a material alteration in the nature or time of pay-  
26 ment of ~~such~~ THE obligations ~~—~~

1       (4) ~~The~~ EXCEPT AS PROVIDED IN SECTION 46, THE individual  
 2 property of a deceased partner shall be liable for ~~all~~ THOSE  
 3 obligations of the partnership incurred while he OR SHE was a  
 4 partner but subject to the prior payment of his OR HER separate  
 5 debts

6       Sec 40   (Rules for distribution)   In settling accounts  
 7 between the partners after dissolution, the following rules shall  
 8 be observed, subject to any agreement to the contrary

9       (a) The assets of the partnership are AS FOLLOWS

10      (1) ~~(I)~~ The partnership property   ~~—~~

11      (2) ~~(II)~~ The contributions of the partners ~~necessary for~~  
 12 ~~the payment of all the liabilities~~ specified in ~~clause (b) of~~  
 13 ~~this paragraph~~ SUBDIVISION (D)

14      (b) The liabilities of the partnership shall rank in order  
 15 of payment, as follows

16      (1) ~~(I)~~ Those owing to creditors other than partners   ~~—~~

17      (2) ~~(II)~~ Those owing to partners other than for capital  
 18 and profits   ~~—~~

19      (3) ~~(III)~~ Those owing to partners in respect of  
 20 capital   ~~—~~

21      (4) ~~(IV)~~ Those owing to partners in respect of profits  
 22 ~~—~~

23      (c) The assets shall be applied in the order of their decla-  
 24 ration in ~~clause~~ SUBDIVISION (a) ~~of this paragraph~~ to the  
 25 satisfaction of the liabilities   ~~—~~

26      (d) ~~The~~ EXCEPT AS PROVIDED IN SECTION 46, THE partners  
 27 shall contribute as provided by section 18(a), the amount

1 necessary to satisfy the liabilities ~~but if~~ IF any ~~, but~~  
 2 ~~not all,~~ of the partners are insolvent ~~or,~~ not ~~being~~  
 3 subject to process OR OTHERWISE refuse to contribute the other  
 4 partners shall contribute their share of the liabilities ~~, and~~  
 5 in the relative proportions in which they share the profits ~~7~~  
 6 ~~the additional amount necessary to pay the liabilities~~

7 (e) An assignee for the benefit of creditors or any person  
 8 appointed by the court shall have the right to enforce the con-  
 9 tributions specified in ~~clause~~ SUBDIVISION (d) ~~of this~~  
 10 ~~paragraph~~

11 (f) Any partner or his OR HER legal representative shall  
 12 have the right to enforce the contributions specified in ~~clause~~  
 13 SUBDIVISION (d) ~~of this paragraph,~~ to the extent of the amount  
 14 which he OR SHE has paid in excess of his OR HER share of the  
 15 liability —

16 (g) The individual property of a deceased partner shall be  
 17 liable for the contributions specified in ~~clause~~ SUBDIVISION  
 18 (d) ~~of this paragraph~~

19 (h) When partnership property and the individual properties  
 20 of the partners are in the possession of a court for distribu-  
 21 tion, EXCEPT FOR LIENHOLDERS AND SECURED CREDITORS, partnership  
 22 creditors shall have priority on partnership property and sepa-  
 23 rate creditors on individual property ~~, saving the rights of~~  
 24 ~~lien or secured creditors as heretofore~~

25 (1) ~~Where~~ IF a partner has become bankrupt or his OR HER  
 26 estate is insolvent the claims against his OR HER separate  
 27 property shall rank in the following order

- 1        (1) ~~(I)~~ Those owing to separate creditors    ~~—~~  
2        (2) ~~(II)~~ Those owing to partnership creditors    ~~—~~  
3        (3) ~~(III)~~ Those owing to partners by way of  
4 contribution

5        SEC 44    (1) A PARTNERSHIP MAY ORGANIZE AS A LIMITED  
6 LIABILITY PARTNERSHIP BY FILING WITH THE SECRETARY OF STATE ON A  
7 FORM PROVIDED BY THE SECRETARY OF STATE A REGISTRATION THAT  
8 STATES THE FOLLOWING

9        (A) THE NAME OF THE PARTNERSHIP

10       (B) THE ADDRESS OF THE PARTNERSHIP'S PRINCIPAL OFFICE

11       (C) IF THE PARTNERSHIP IS A FOREIGN LIMITED LIABILITY PART-  
12 NERSHIP, THE ADDRESS OF THE REGISTERED OFFICE AND THE NAME OF THE  
13 REGISTERED AGENT AUTHORIZED TO RECEIVE SERVICE OF PROCESS IN THIS  
14 STATE

15       (D) A BRIEF STATEMENT OF THE BUSINESS OF THE PARTNERSHIP

16       (E) A STATEMENT THAT THE PARTNERSHIP WILL OPERATE AS A  
17 LIMITED LIABILITY PARTNERSHIP

18       (F) ANY OTHER INFORMATION THAT THE SECRETARY OF STATE MAY  
19 REQUIRE

20       (2) THE REGISTRATION SHALL BE ACCOMPANIED WITH A REGISTRA-  
21 TION FEE OF \$100 00

22       (3) THE REGISTRATION IS EFFECTIVE IMMEDIATELY UPON FILING  
23 WITH THE SECRETARY OF STATE AND THE PAYMENT OF THE REGISTRATION  
24 FEE AND SHALL REMAIN IN EFFECT FOR 1 YEAR FROM THE EFFECTIVE DATE  
25 UNDER THIS SECTION

26       (4) A REGISTRATION MAY BE RENEWED FOR 1 YEAR BY FILING WITH  
27 THE SECRETARY OF STATE A RENEWAL REGISTRATION ON A FORM PROVIDED

1 BY THE SECRETARY OF STATE AND THE PAYMENT OF A RENEWAL FEE OF  
2 \$100 00

3 (5) THE STATUS OF A PARTNERSHIP AS A REGISTERED LIMITED  
4 LIABILITY PARTNERSHIP SHALL NOT BE AFFECTED BY ERRORS OR SUBSE-  
5 QUENT CHANGES IN THE INFORMATION PROVIDED PURSUANT TO THIS  
6 SECTION

7 SEC 45 THE NAME OF A REGISTERED LIMITED LIABILITY PART-  
8 NERSHIP SHALL CONTAIN THE WORDS 'LIMITED LIABILITY PARTNERSHIP'  
9 OR THE ABBREVIATION L L P OR LLP AS THE LAST WORDS OR LET-  
10 TERS OF THE PARTNERSHIP S NAME

11 SEC 46 (1) A PARTNER OF A REGISTERED LIMITED LIABILITY  
12 PARTNERSHIP IS NOT LIABLE DIRECTLY OR INDIRECTLY INCLUDING BY  
13 WAY OF INDEMNIFICATION CONTRIBUTION ASSESSMENT OR OTHERWISE,  
14 FOR DEBTS, OBLIGATIONS, AND LIABILITIES OF OR CHARGEABLE TO THE  
15 PARTNERSHIP, WHETHER IN TORT, CONTRACT, OR OTHERWISE, ARISING  
16 FROM NEGLIGENCE WRONGFUL ACTS, OMISSIONS, MISCONDUCT OR MAL-  
17 PRACTICE COMMITTED WHILE THE PARTNERSHIP IS A REGISTERED LIMITED  
18 LIABILITY PARTNERSHIP AND IN THE COURSE OF THE PARTNERSHIP BUSI-  
19 NESS BY ANOTHER PARTNER OR AN EMPLOYEE AGENT OR REPRESENTATIVE  
20 OF THE PARTNERSHIP

21 (2) THIS SECTION SHALL NOT AFFECT THE LIABILITY OF A PARTNER  
22 IN A REGISTERED LIMITED LIABILITY PARTNERSHIP FOR THE PARTNER S  
23 OWN NEGLIGENCE, WRONGFUL ACTS, OMISSIONS, MISCONDUCT, OR MALPRAC-  
24 TICE OR THAT OF ANY PERSON UNDER THE PARTNER'S DIRECT SUPERVISION  
25 AND CONTROL

26 (3) EXCEPT AS PROVIDED IN SUBSECTION (2), A PARTNER IN A  
27 REGISTERED LIMITED LIABILITY PARTNERSHIP IS NOT A PROPER PARTY TO



1 A PROCEEDING BY OR AGAINST A REGISTERED LIMITED LIABILITY  
2 PARTNERSHIP, THE OBJECT OF WHICH IS TO RECOVER DAMAGES OR ENFORCE  
3 THE OBLIGATIONS ARISING OUT OF THE NEGLIGENCE, WRONGFUL ACTS,  
4 OMISSIONS, MISCONDUCT, OR MALPRACTICE AS DESCRIBED IN SUBSECTION  
5 (1)

6 SEC 47 (1) A REGISTERED LIMITED LIABILITY PARTNERSHIP  
7 FORMED UNDER THE LAWS OF ANOTHER STATE TERRITORY, DISTRICT OR  
8 POSSESSION OF THE UNITED STATES OR ANOTHER COUNTRY SHALL NOT CON-  
9 DUCT BUSINESS IN THIS STATE UNTIL THE PARTNERSHIP HAS REGISTERED  
10 WITH THE SECRETARY OF STATE AND PAID A REGISTRATION FEE OF  
11 \$100 00

12 (2) THE REGISTRATION FORM SHALL CONTAIN THE SAME INFORMATION  
13 AS REQUIRED BY SECTION 44(1) AND THE ADDRESS OF ITS REGISTERED  
14 OFFICE AND THE NAME AND ADDRESS OF ITS REGISTERED AGENT FOR SERV-  
15 ICE OF PROCESS

16 (3) THE REGISTRATION IS EFFECTIVE IMMEDIATELY UPON FILING  
17 WITH THE SECRETARY OF STATE AND PAYMENT OF THE REGISTRATION FEE  
18 AND SHALL REMAIN IN EFFECT FOR 1 YEAR FROM THE EFFECTIVE DATE  
19 UNDER THIS SECTION

20 (4) A REGISTRATION MAY BE RENEWED FOR 1 YEAR BY FILING WITH  
21 THE SECRETARY OF STATE A RENEWAL REGISTRATION AND THE PAYMENT OF  
22 A RENEWAL FEE OF \$100 00

23 (5) EXCEPT AS OTHERWISE PROVIDED BY THIS ACT, A FOREIGN  
24 LIMITED LIABILITY PARTNERSHIP SHALL BE GOVERNED BY THE LAWS UNDER  
25 WHICH IT WAS FORMED

26 (6) THE NAME OF A PARTNERSHIP DOING BUSINESS IN THIS STATE  
27 UNDER THIS SECTION SHALL CONTAIN THE WORDS LIMITED LIABILITY

1 PARTNERSHIP OR THE ABBREVIATION L L P OR LLP AS THE LAST  
2 WORDS OR LETTERS OF ITS NAME