

UNIFORM PARTNERSHIP ACT (EXCERPT)
Act 72 of 1917

PART VI
DISSOLUTION AND WINDING UP.

449.29 Dissolution of partnership; definition.

Sec. 29. (Dissolution defined). The dissolution of a partnership is the change in the relation of the partners caused by any partner ceasing to be associated in the carrying on as distinguished from the winding up of the business.

History: 1917, Act 72, Eff. Aug. 10, 1917;—CL 1929, 9869;—CL 1948, 449.29.

449.30 Dissolution; partnership not terminated.

Sec. 30. (Partnership not terminated by dissolution). On dissolution the partnership is not terminated, but continues until the winding up of partnership affairs is completed.

History: 1917, Act 72, Eff. Aug. 10, 1917;—CL 1929, 9870;—CL 1948, 449.30.

449.31 Dissolution; causes.

Sec. 31. (Causes of dissolution). Dissolution is caused:

- (1) Without violation of the agreement between the partners:
 - (a) By the termination of the definite term or particular undertaking specified in the agreement,
 - (b) By the express will of any partner when no definite term or particular undertaking is specified,
 - (c) By the express will of all the partners who have not assigned their interests or suffered them to be charged for their separate debts, either before or after the termination of any specified term or particular undertaking,
 - (d) By the expulsion of any partner from the business bona fide in accordance with such power conferred by the agreement between the partners;
- (2) In contravention of the agreement between the partners, where the circumstances do not permit a dissolution under any other provision of this section, by the express will of any partner at any time;
- (3) By any event which makes it unlawful for the business of the partnership to be carried on or for the members to carry it on in partnership;
 - (4) By the death of any partner;
 - (5) By the bankruptcy of any partner or the partnership;
 - (6) By decree of court under section 32.

History: 1917, Act 72, Eff. Aug. 10, 1917;—CL 1929, 9871;—CL 1948, 449.31.

449.32 Dissolution; decree of court.

Sec. 32. (Dissolution by decree of court).

- (1) On application by or for a partner the court shall decree a dissolution whenever:
 - (a) A partner has been declared a lunatic in any judicial proceeding or is shown to be of unsound mind,
 - (b) A partner becomes in any other way incapable of performing his part of the partnership contract,
 - (c) A partner has been guilty of such conduct as tends to effect prejudicially the carrying on of the business,
 - (d) A partner wilfully or persistently commits a breach of the partnership agreement, or otherwise so conducts himself in matters relating to the partnership business that it is not reasonably practicable to carry on the business in partnership with him,
 - (e) The business of the partnership can only be carried on at a loss,
 - (f) Other circumstances render a dissolution equitable;
- (2) On the application of the purchaser of a partner's interest under sections 28 or 29:
 - (a) After the termination of the specified term or particular undertaking,
 - (b) At any time if the partnership was a partnership at will when the interest was assigned or when the charging order was issued.

History: 1917, Act 72, Eff. Aug. 10, 1917;—CL 1929, 9872;—CL 1948, 449.32.

449.33 Dissolution; effect as to authority of partner.

Sec. 33. (General effect of dissolution on authority of partner). Except so far as may be necessary to wind up partnership affairs or to complete transactions begun but not then finished, dissolution terminates all authority of any partner to act for the partnership:

- (1) With respect to the partners:
 - (a) When the dissolution is not by the act, bankruptcy or death of a partner, or
 - (b) When the dissolution is by such act, bankruptcy or death of a partner, in cases where section 34 so requires;

- (2) With respect to persons not partners, as declared in section 35.

History: 1917, Act 72, Eff. Aug. 10, 1917;—CL 1929, 9873;—CL 1948, 449.33.

449.34 Dissolution; liability of partner.

Sec. 34. (Right of partner to contribution from copartners after dissolution). Except as otherwise provided by section 46, if dissolution is caused by the act, death, or bankruptcy of a partner, each partner is liable to his or her copartners for his or her share of any liability created by any partner acting for the partnership as if the partnership had not been dissolved unless this dissolution is caused by 1 of the following:

- (a) The dissolution being by act of any partner and the partner acting for the partnership had knowledge of the dissolution.

- (b) The dissolution being by the death or bankruptcy of a partner and the partner acting for the partnership had knowledge or notice of the death or bankruptcy.

History: 1917, Act 72, Eff. Aug. 10, 1917;—CL 1929, 9874;—CL 1948, 449.34;—Am. 1994, Act 323, Imd. Eff. Oct. 12, 1994.

449.35 Dissolution; power of partner to bind partnership.

Sec. 35. (Power of partner to bind partnership to third persons after dissolution).

- (1) After dissolution a partner can bind the partnership except as provided in paragraph 3:

- (a) By any act appropriate for winding up partnership affairs or completing transactions unfinished at dissolution,

- (b) By any transaction which would bind the partnership if dissolution had not taken place, provided the other party to the transaction:

- (I) Had extended credit to the partnership prior to dissolution and had no knowledge or notice of the dissolution, or

- (II) Though he had not so extended credit, had nevertheless known of the partnership prior to dissolution, and, having no knowledge or notice of dissolution, the fact of dissolution had not been advertised in a newspaper of general circulation in the place, or in each place if more than 1, at which the partnership business was regularly carried on;

- (2) The liability of a partner under paragraph (1b) shall be satisfied out of partnership assets alone when such partner had been prior to dissolution:

- (a) Unknown as a partner to the person with whom the contract is made, and

- (b) So far unknown and inactive in partnership affairs that the business reputation of the partnership could not be said to have been in any degree due to his connection with it;

- (3) The partnership is in no case bound by any act of a partner after dissolution:

- (a) Where the partnership is dissolved because it is unlawful to carry on the business, unless the act is appropriate for winding up partnership affairs, or

- (b) Where the partner has become bankrupt, or

- (c) Where the partner has no authority to wind up partnership affairs, except by a transaction with one who:

- (I) Had extended credit to the partnership prior to dissolution and had no knowledge or notice of his want of authority, or

- (II) Had not extended credit to the partnership prior to dissolution, and, having no knowledge or notice of his want of authority, the fact of his want of authority has not been advertised in the manner provided for advertising the fact of dissolution in paragraph (1bII);

- (4) Nothing in this section shall affect the liability under section 16 of any person who after dissolution represents himself or consents to another representing him as a partner in a partnership engaged in carrying on business.

History: 1917, Act 72, Eff. Aug. 10, 1917;—CL 1929, 9875;—CL 1948, 449.35.

Compiler's note: For provisions of section 16, referred to in subsection (4), see MCL 449.16.

Section 35 of this act in the final draft as prepared by the National Conference of Commissioners on Uniform State Laws is as follows:

“(1) If the partnership is not dissolved because it has become unlawful to carry on the business, a partner cannot, after dissolution, bind the partnership to third persons by any act which is not necessary to wind up the partnership affairs or to complete transactions then unfinished unless,

“(a) Such third person, having had relations with the partnership by which a credit was extended upon the faith of the partnership, has had no knowledge or notice of the dissolution; or

“(b) Such third person, not having had business relations with the partnership by which a credit was extended to the partnership, has no knowledge or notice of the dissolution, and the fact of dissolution, has not been advertised in a newspaper of general circulation of the place (or of each place if more than one) at which the partnership business was regularly carried on

“(2) The partnership is in no case bound by the acts of a partner who has become bankrupt; but this provision does not affect the liability of any person who, as declared by section 16, after bankruptcy, has represented himself, or consented to another's representing him to be a partner of the bankrupt.”

449.36 Dissolution; effect as to partner's existing liability.

Sec. 36. (Effect of dissolution on partner's existing liability).

(1) The dissolution of the partnership does not discharge the existing liability of any partner.

(2) A partner is discharged from existing liability upon dissolution of the partnership by an agreement to that effect between the partner, the partnership creditor, and the person or partnership continuing the business. An agreement may be inferred from the course of dealing between the creditor having knowledge of the dissolution and the person or partnership continuing the business.

(3) If a person agrees to assume the existing obligations of a dissolved partnership, the partners whose obligations have been assumed shall be discharged from liability to any creditor of the partnership who, knowing of the agreement, consents to a material alteration in the nature or time of payment of the obligations.

(4) Except as provided in section 46, the individual property of a deceased partner shall be liable for those obligations of the partnership incurred while he or she was a partner but subject to the prior payment of his or her separate debts.

History: 1917, Act 72, Eff. Aug. 10, 1917;—CL 1929, 9876;—CL 1948, 449.36;—Am. 1994, Act 323, Imd. Eff. Oct. 12, 1994.

449.37 Dissolution; rights of partner to wind up partnership affairs.

Sec. 37. (Right to wind up). Unless otherwise agreed, the partners who have not wrongfully dissolved the partnership or the legal representative of the last surviving partner, not bankrupt, has the right to wind up the partnership affairs: Provided, however, That any partner, his legal representative, or his assignee, upon cause shown, may obtain winding up by the court.

History: 1917, Act 72, Eff. Aug. 10, 1917;—CL 1929, 9877;—CL 1948, 449.37.

449.38 Dissolution; rights of partner to application of partnership property.

Sec. 38. (Rights of partners to application of partnership property).

(1) When dissolution is caused in any way, except in contravention of the partnership agreement, each partner, as against his copartners and all persons claiming through them in respect of their interests in the partnership, unless otherwise agreed, may have the partnership property applied to discharge its liabilities, and the surplus applied to pay in cash the net amount owing to the respective partners. But if dissolution is caused by expulsion of a partner, bona fide under the partnership agreement, and if the expelled partner is discharged from all partnership liabilities, either by payment or agreement under section 36(2), he shall receive in cash only the net amount due him from the partnership;

(2) When dissolution is caused in contravention of the partnership agreement the rights of the partners shall be as follows:

(a) Each partner who has not caused dissolution wrongfully shall have:

(I) All the rights specified in paragraph 1 of this section, and

(II) The right, as against each partner who has caused the dissolution wrongfully, to damages for breach of the agreement,

(b) The partners who have not caused the dissolution wrongfully, if they all desire to continue the business in the same name, either by themselves or jointly with others, may do so, during the agreed term for the partnership and for that purpose may possess the partnership property, provided they secure the payment by bond approved by the court, or pay to any partner who has caused the dissolution wrongfully, the value of his interest in the partnership at the dissolution, less any damages recoverable under clause (2aII) of this section, and in like manner indemnify him against all present or future partnership liabilities,

(c) A partner who has caused the dissolution wrongfully shall have:

(I) If the business is not continued under the provisions of paragraph (2b) all the rights of a partner under paragraph 1, subject to clause (2aII) of this section,

(II) If the business is continued under paragraph (2b) of this section the right as against his copartners and all claiming through them in respect of their interests in the partnership, to have the value of his interest in the partnership, less any damages caused to his copartners by the dissolution, ascertained and paid to him in cash, or the payment secured by bond approved by the court, and to be released from all existing liabilities of the partnership; but in ascertaining the value of the partner's interest the value of the good will of the business

shall not be considered.

History: 1917, Act 72, Eff. Aug. 10, 1917;—CL 1929, 9878;—CL 1948, 449.38.

449.39 Dissolution; rights of partner when partnership dissolved for fraud or misrepresentation.

Sec. 39. (Rights where partnership is dissolved for fraud or misrepresentation). Where a partnership contract is rescinded on the ground of the fraud or misrepresentation of 1 of the parties thereto, the party entitled to rescind is, without prejudice to any other right, entitled:

(a) To a lien on, or right of retention of, the surplus of the partnership property after satisfying the partnership liabilities to third persons for any sum of money paid by him for the purchase of an interest in the partnership and for any capital or advances contributed by him, and

(b) To stand, after all liabilities to third persons have been satisfied, in the place of the creditors of the partnership for any payments made by him in respect of the partnership liabilities, and

(c) To be indemnified by the person guilty of the fraud or making the representation against all debts and liabilities of the partnership.

History: 1917, Act 72, Eff. Aug. 10, 1917;—CL 1929, 9879;—CL 1948, 449.39.

449.40 Dissolution; rules for distribution of assets and liabilities.

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

(a) The assets of the partnership are as follows:

(i) The partnership property.

(ii) The contributions of the partners specified in subdivision (d).

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

(i) Those owing to creditors other than partners.

(ii) Those owing to partners other than for capital and profits.

(iii) Those owing to partners in respect of capital.

(iv) Those owing to partners in respect of profits.

(c) The assets shall be applied in the order of their declaration in subdivision (a) to the satisfaction of the liabilities.

(d) Except as provided in section 46, the partners shall contribute, as provided by section 18(a), the amount necessary to satisfy the liabilities. If any of the partners are insolvent, not subject to process, or otherwise refuse to contribute, the other partners shall contribute their share of the liabilities in the relative proportions in which they share the profits.

(e) An assignee for the benefit of creditors or any person appointed by the court shall have the right to enforce the contributions specified in subdivision (d).

(f) Any partner or his or her legal representative shall have the right to enforce the contributions specified in subdivision (d) to the extent of the amount which he or she has paid in excess of his or her share of the liability.

(g) The individual property of a deceased partner shall be liable for the contributions specified in subdivision (d).

(h) When partnership property and the individual properties of the partners are in the possession of a court for distribution, except for lienholders and secured creditors, partnership creditors shall have priority on partnership property and separate creditors on individual property.

(i) If a partner has become bankrupt or his or her estate is insolvent, the claims against his or her separate property shall rank in the following order:

(i) Those owing to separate creditors.

(ii) Those owing to partnership creditors.

(iii) Those owing to partners by way of contribution.

History: 1917, Act 72, Eff. Aug. 10, 1917;—CL 1929, 9880;—CL 1948, 449.40;—Am. 1994, Act 323, Imd. Eff. Oct. 12, 1994.

Compiler's note: For provisions of section 18, referred to in subdivision (d), see MCL 449.18.

449.41 Dissolution; liability of persons continuing business.

Sec. 41. (Liability of persons continuing the business in certain cases).

(1) When any new partner is admitted into an existing partnership, or when any partner retires and assigns, or the representative of the deceased partner assigns, his rights in partnership property to 2 or more of the partners, or to 1 or more of the partners and 1 or more third persons, if the business is continued without liquidation of the partnership affairs, creditors of the first or dissolved partnership are also creditors of the

partnership so continuing the business;

(2) When all but 1 partner retire and assign, or the representative of a deceased partner assigns, their rights in partnership property to the remaining partner, who continues the business without liquidation of partnership affairs, either alone or with others, creditors of the dissolved partnership are also creditors of the person or partnership so continuing the business;

(3) When any partner retires or dies and the business of the dissolved partnership is continued as set forth in paragraphs 1 and 2 of this section, with the consent of the retired partners or the representative of the deceased partner, but without any assignment of his right in partnership property, rights of creditors of the dissolved partnership and of the creditors of the person or partnership continuing the business shall be as if such assignment had been made;

(4) When all the partners or their representatives assign their rights in partnership property to 1 or more third persons who promise to pay the debts and who continue the business of the dissolved partnership, creditors of the dissolved partnership are also creditors of the person or partnership continuing the business;

(5) When any partner wrongfully causes a dissolution and the remaining partners continue the business under the provisions of section 38(2b), either alone or with others, and without liquidation of the partnership affairs, creditors of the dissolved partnership are also creditors of the person or partnership continuing the business;

(6) When a partner is expelled and the remaining partners continue the business either alone or with others, without liquidation of the partnership affairs, creditors of the dissolved partnership are also creditors of the person or partnership continuing the business;

(7) The liability of a third person becoming a partner in the partnership continuing the business, under this section to the creditors of the dissolved partnership shall be satisfied out of partnership property only;

(8) When the business of a partnership after dissolution is continued under any conditions set forth in this section the creditors of the dissolved partnership, as against the separate creditors of the retiring or deceased partner or the representative of the deceased partner, have a prior right to any claim of the retired partner or the representative of the deceased partner against the person or partnership continuing the business, on account of the retired or deceased partner's interest in the dissolved partnership or on account of any consideration promised for such interest or for his right in partnership property;

(9) Nothing in this section shall be held to modify any right of creditors to set aside any assignment on the ground of fraud;

(10) The use by the person or partnership continuing the business of the partnership name, or the name of a deceased partner as part thereof, shall not of itself make the individual property of the deceased partner liable for any debts contracted by such person or partnership.

History: 1917, Act 72, Eff. Aug. 10, 1917;—CL 1929, 9881;—CL 1948, 449.41.

449.42 Dissolution; rights of retiring or deceased partner when business continued.

Sec. 42. (Rights of retiring or estate of deceased partner when the business is continued). When any partner retires or dies, and the business is continued under any of the conditions set forth in section 41(1, 2, 3, 5, 6), or section 38(2b), without any settlement of accounts as between him or his estate and the person or partnership continuing the business, unless otherwise agreed, he or his legal representative as against such persons or partnership may have the value of his interest at the date of dissolution ascertained and shall receive as an ordinary creditor an amount equal to the value of his interest in the dissolved partnership with interest, or, at his option or at the option of his legal representative, in lieu of interest, the profits attributable to the use of his right in the property of the dissolved partnership: Provided, That the creditors of the dissolved partnership as against the separate creditors, or the representative of the retired or deceased partner, shall have priority on any claim arising under this section, as provided by section 41(8) of this act.

History: 1917, Act 72, Eff. Aug. 10, 1917;—CL 1929, 9882;—CL 1948, 449.42.

449.43 Dissolution; accrual of rights.

Sec. 43. (Accrual of actions). The right to an account of his interest shall accrue to any partner, or his legal representative, as against the winding up partners or the surviving partners or the person or partnership continuing the business, at the date of dissolution, in the absence of any agreement to the contrary.

History: 1917, Act 72, Eff. Aug. 10, 1917;—CL 1929, 9883;—CL 1948, 449.43.

449.44 Limited liability partnership; registration procedures.

Sec. 44. (1) A partnership may organize as a limited liability partnership by filing with the department on a form provided by the department a registration that states the following:

(a) The name of the partnership.

- (b) The address of the partnership's principal office.
 - (c) If the partnership is a foreign limited liability partnership, the address of the registered office and the name of the registered agent authorized to receive service of process in this state.
 - (d) A brief statement of the business of the partnership.
 - (e) A statement that the partnership will operate as a limited liability partnership.
 - (f) The partnership's federal employer identification number or, if a number has not been assigned to the partnership, the social security number of the person or persons signing the registration.
 - (g) Any other information that the department may require.
- (2) A majority in interest of the partners or individuals authorized to execute a registration by a majority in interest of the partners shall sign the registration form described in subsection (1). The registration shall be accompanied by a registration fee of \$100.00.
- (3) The registration is effective immediately upon filing with the department and the payment of the registration fee and shall remain in effect for 1 year from the effective date under this section.
- (4) A registration may be renewed for 1 year by filing with the department a renewal registration on a form provided by the department and the payment of a renewal fee of \$100.00.
- (5) The status of a partnership as a registered limited liability partnership shall not be affected by errors or subsequent changes in the information provided pursuant to this section.
- (6) As used in this section and sections 47 and 48, "department" means the department of commerce.

History: Add. 1994, Act 323, Imd. Eff. Oct. 12, 1994.

449.45 Registered limited liability partnership; name.

Sec. 45. The name of a registered limited liability partnership shall contain the words "limited liability partnership" or the abbreviation "L.L.P." or "LLP" as the last words or letters of the partnership's name.

History: Add. 1994, Act 323, Imd. Eff. Oct. 12, 1994.

449.46 Registered limited liability partnership; liability of partner.

Sec. 46. (1) Except as provided in subsections (2) and (5), a debt, obligation, or other liability of a partnership incurred while the partnership is a registered limited liability partnership is solely the debt, obligation, or other liability of the registered limited liability partnership. A partner is not personally liable, directly or indirectly, by way of contribution or otherwise, for a debt, obligation, or other liability of the registered limited liability partnership solely by reason of being or acting as a partner. This subsection applies regardless of the dissolution of the registered limited liability partnership.

(2) Subsection (1) does not affect the liability of a partner in a registered limited liability partnership for the partner's own negligence, wrongful acts, omissions, misconduct, or malpractice, or that of any individual who is under the partner's direct supervision and control, that results in a debt, obligation, or other liability of the registered limited liability partnership.

(3) Except as provided in subsection (2), a partner in a registered limited liability partnership is not a proper party to a proceeding by or against the registered limited liability partnership, the object of which is to recover damages or enforce a debt, obligation, or other liability for which a partner is not liable under subsection (1).

(4) The failure of a registered limited liability partnership to observe any applicable formalities relating to the exercise of its powers or management of its business is not a ground for imposing liability on a partner for a debt, obligation, or other liability of the registered limited liability partnership.

(5) Subsection (1) does not affect the personal liability of a partner for a debt, obligation, or other liability of the registered limited liability partnership incurred or arising before the effective date of the amendatory act that added this subsection.

History: Add. 1994, Act 323, Imd. Eff. Oct. 12, 1994;—Am. 2018, Act 131, Eff. Aug. 1, 2018.

449.47 Foreign limited liability partnership.

Sec. 47. (1) A registered limited liability partnership formed under the laws of another state, territory, district, or possession of the United States or another country shall not conduct business in this state until the partnership has registered with the department and paid a registration fee of \$100.00.

(2) The registration form shall contain the same information as required by section 44(1) and the address of its registered office and the name and address of its registered agent for service of process.

(3) The registration is effective immediately upon filing with the department and payment of the registration fee and shall remain in effect for 1 year from the effective date under this section.

(4) A registration may be renewed for 1 year by filing with the department a renewal registration and the payment of a renewal fee of \$100.00.

(5) Except as otherwise provided by this act, a foreign limited liability partnership shall be governed by the laws under which it was formed.

(6) The name of a partnership doing business in this state under this section shall contain the words "limited liability partnership" or the abbreviation "L.L.P." or "LLP" as the last words or letters of its name.

History: Add. 1994, Act 323, Imd. Eff. Oct. 12, 1994.

449.48 Registration or renewal for limited liability partnership; filing.

Sec. 48. (1) The registration or renewal of a registration for a limited liability partnership shall be filed by delivering the registration to the department together with the fees and any other documents required by section 44 or 47. The department may establish procedures for accepting the registration by means of facsimile transmission.

(2) If the registration substantially conforms to the requirements of section 44 or 47, the department shall indorse upon it the word "filed" with the date of filing, and shall file and index the registration or a photostatic, micrographic, photographic, optical disc media, or other reproduced copy of registration. If requested at the time of filing, the department shall include in the indorsement the hour of filing.

(3) The records and files of the department relating to registered limited liability partnerships shall be open to reasonable inspection by the public. The records or files may be maintained either in their original form or in a photostatic, micrographic, photographic, optical disc media, or other reproduced form.

(4) The department may make copies of all documents filed under section 44 or 47 by a photostatic, micrographic, photographic, optical disc media, or other process, and may destroy the originals of the documents copied. A photostatic, micrographic, photographic, optical disc media, or other reproduced copy certified by the department, which may be sent by facsimile transmission, shall be considered an original for all purposes and is admissible in evidence in the manner as an original.

(5) A fee received under section 44 or 47 shall be deposited in the state treasury to the credit of the department to be used by the department in carrying out the duties required by this section. After the payment of the amounts appropriated by the legislature for the necessary expenses incurred by the department, the money remaining shall be credited to the general fund of the state.

(6) A minimum charge of \$1.00 for each certificate and 50 cents per folio shall be paid to the department for certifying a part of a file or record pertaining to a registered limited liability partnership. The department may furnish copies of documents, reports, and papers required or permitted by law to be filed with the department, and shall charge for those copies pursuant to a schedule of fees that the department adopts with the approval of the state administrative board. The department shall retain the revenue collected under this subsection to be used by the department to defray the costs for its copying and certifying services.

(7) If a domestic or foreign registered limited liability partnership pays fees or penalties by check and the check is dishonored, the fee shall be considered unpaid and the filing of all related documents is rescinded.

(8) The department may accept a credit card, in lieu of cash or check, as payment of a fee under this act. The department shall determine which credit cards may be accepted for payment.

(9) The department may charge a nonrefundable fee of up to \$50.00 for a document submitted or certificate sent by facsimile transmission. The department shall retain the revenue collected under this subsection to be used by the department in carrying out its duties under this section.

(10) If the department rejects the filing of a registration or renewal registration, the department shall refund any fees paid except for \$25.00, which the department shall retain to defray its costs incurred under this section.

History: Add. 1994, Act 323, Imd. Eff. Oct. 12, 1994.