VI. February 7, 1992 Draft - Revised Uniform Partnership Act (RUPA)

1. February 13, 1992: Correspondence from Gerald V. Niesar to the Ad Hoc Subcommittee Distribution List.

   A general letter which stated that the Denver meeting focused upon the fiduciary question and breakup provisions. The rest of the letter was administrative.

2. February 20, 1992: Discussion draft of Article 9 - Reorganizations. Lined version to show changes.
The ideas and conclusions herein set forth, including drafts of proposed legislation, have not been passed upon by the National Conference of Commissioners on Uniform State Laws. They do not necessarily reflect the views of the Committee, Reporters or Commissioners. Proposed statutory language, if any, may not be used to ascertain legislative meaning of any promulgated final law.
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ON UNIFORM STATE LAWS
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312/915-0195
# REVISED UNIFORM PARTNERSHIP ACT

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UNIFORM PARTNERSHIP ACT (199_)

ARTICLE 1

GENERAL PROVISIONS

Section 101. Definitions. 
Section 102. Applicability to Limited Partnerships. 
Section 103. Knowledge and Notice. 
Section 104. Supplemental Principles of Law. 
Section 105. Effect of Partnership Agreement; Non-Waivable 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;

(ii) a comparable order under a successor statute of general application; or

(iii) a comparable order under a state insolvency act.

(3) "Distribution" means a transfer of cash or other property from a partnership to a partner in the partner's capacity as a partner.
(4) "Partnership agreement" means an agreement, written or oral, by and between the partners concerning the partnership business.

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

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

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

(8) "Record title" means a statement of ownership of property which is duly filed, recorded, or registered under applicable law, and which is effective against a purchaser, or holder of a security interest or other encumbrance, for value without notice.

(9) "Transfer," when used as a noun, includes an assignment, conveyance, lease, mortgage, deed, and encumbrance.

SECTION 102. APPLICABILITY TO LIMITED PARTNERSHIP.

This [Act] governs a limited partnership in a case not provided for in the [State] Limited Partnership Act.

SECTION 103. KNOWLEDGE AND NOTICE.
(a) A person knows a fact if the person has knowledge of it.

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

(1) knows of it;

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

or

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

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

(d) A person receives notice or receives a notification when it:

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

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

(e) Except as provided in subsection (f), notice or a notification received by a partnership becomes effective for a particular transaction when it is brought to the attention of the individual conducting the transaction and in any event when it would have been brought to that individual's attention if the partnership had exercised due diligence. A partnership exercises due diligence if it maintains reasonable routines for communicating significant
information to the individual conducting the transaction and there is reasonable compliance with the routines. Due diligence does not require an individual acting for the partnership to communicate information unless the communication is part of the individual's regular duties or the individual has reason to know of the transaction and that the transaction would be materially affected by the information.

(f) Receipt of notice by a partner of a matter relating to partnership affairs becomes effective immediately as notice to the partnership, except in the case of fraud on the partnership committed by or with the consent of the partner.

SECTION 104. SUPPLEMENTAL PRINCIPLES OF LAW.

(a) Unless displaced by particular provisions of this [Act], the principles of law and equity, including the law merchant and the law relative to capacity to contract, principal and agent, estoppel, fraud, misrepresentation, duress, coercion, mistake, bankruptcy, and other validating or invalidating cause, supplement this [Act].

(b) If an obligation to pay interest arises under this [Act] and the rate is not specified, the rate is that specified in [applicable statute].

SECTION 105. EFFECT OF PARTNERSHIP AGREEMENT; NON-WAIVABLE PROVISIONS.
(a) This [Act] governs relations among the partners and between the partners and the partnership except to the extent the partnership agreement provides otherwise.

(b) The partnership agreement may not:

(1) unreasonably restrict a partner's access to books and records under Section 403(b);

(2) eliminate the duty of good faith and fair dealing under Section 404(b);

(3) vary the power to withdraw as a partner under Section 601(1), except to require the notice to be in writing;

(4) vary the right to expulsion of a partner by a court in the events specified in Section 601(5);

(5) vary the requirement to wind up the partnership business in the events specified in Sections 801(a)(7), (8), or (9); or

(6) restrict rights of third parties under this [Act].
ARTICLE 2

NATURE OF PARTNERSHIP

Section 201. Definition and Existence of Partnership.
Section 202. Partnership Owns Partnership Property.
Section 203. When Property Is Partnership Property.

SECTION 201. DEFINITION AND EXISTENCE OF PARTNERSHIP.

(a) A partnership is an entity resulting from the association of two or more persons to carry on as co-owners a business for profit.

(b) An association created pursuant to a statute other than this [Act], the [State] Limited Partnership Act, or a statute of another jurisdiction comparable to this [Act] or the Limited Partnership Act, is not a partnership.

(c) Except as provided by Section 308, persons who are not partners as to each other are not partners as to other persons.

(d) In determining whether a partnership exists, the following rules apply:

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

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

(e) The receipt by a person of a share of the
profits of a business is prima facie evidence that the
person is a partner in the business, but that inference may
not be drawn if the profits were received in payment:

(1) of a debt by installments or otherwise;

(2) for services as an independent contractor, or

of wages or other compensation to an employee;

(3) of rent;

(4) of an annuity or other retirement or health

benefit to a beneficiary, representative, or designee of a
deceased or retired partner;

(5) of interest or other charge on a loan, even

if the amount of payment varies with the profits of the
business, including a direct or indirect present or future
ownership interest in the collateral, or rights to income,
proceeds, or increase in value derived from the collateral;
or

(6) of consideration for the sale of the goodwill

of a business or other property by installments or

otherwise.

SECTION 202. PARTNERSHIP OWNS PARTNERSHIP PROPERTY.

Property transferred to or otherwise acquired by a

partnership becomes property of the partnership and not of

the partners individually.
SECTION 203. WHEN PROPERTY IS PARTNERSHIP PROPERTY.

(a) Property is partnership property when acquired
(i) in the partnership name or (ii) in the name of one or
more partners with an indication in the instrument
transferring title to the property of the individuals'
capacity as partners or of the existence of a partnership,
even though the name of the partnership is not mentioned.

(b) Property is acquired in the partnership name by
a transfer or conveyance to (i) the partnership in its name
or (ii) to one or more partners in their capacity as
partners of the partnership, if the name of the partnership
is indicated in the instrument transferring title to the
property.

(c) Property is presumed to be partnership property
if purchased with partnership funds, even if not acquired
in the name of the partnership or in the name of one or
more partners with an indication in the instrument
transferring title to the property of the individuals'
capacity as partners or of the existence of a partnership.

(d) Property acquired in the name of one or more of
the partners without an indication in the instrument
transferring title to the property of the individuals'
capacity as partners or of the existence of a partnership
and without use of partnership funds is presumed to be the
separate property of that partner even, if used for
partnership purposes.
ARTICLE 3
RELATIONS OF PARTNERS TO PERSONS
DEALING WITH PARTNERSHIP

Section 301. Partner Agent of Partnership as to Partnership Business.
Section 302. Conveyance of Partnership Property If Title Recorded.
Section 303. Statement of Partnership Authority.
Section 304. Notice of Denial of Status as Partner or Authority.
Section 305. Partnership Liable for Partner's Actionable Conduct.
Section 306. Partner's Liability.
Section 307. Action Against Partnership and Partners.
Section 308. Purported Partner.
Section 309. Liability of Incoming Partner.

SECTION 301. PARTNER AGENT OF PARTNERSHIP AS TO PARTNERSHIP BUSINESS. Subject to Section 303:

(1) Each partner is an agent of the partnership for the purpose of its business, and the act of each partner, including the execution of an instrument in the partnership name, for apparently carrying on in the usual way the partnership business or business of the kind carried on by the partnership binds the partnership, unless the partner has no authority to act for the partnership in the particular matter and the person with whom the partner is dealing knows that the partner lacks authority.

(2) An act of a partner which is not apparently for carrying on in the usual way the partnership business or business of the kind carried on by the partnership does not
bind the partnership unless authorized by the other partners.

(3) An act of a partner in contravention of a restriction on authority does not bind the partnership to persons knowing of the restriction.

SECTION 302. TRANSFER OF PARTNERSHIP PROPERTY.

(a) Except as limited by a statement of authority pursuant to Section 303:

(1) Title to partnership property held in the name of the partnership may be transferred by an instrument of transfer executed by any partner in the partnership name.

(2) Title to partnership property which is held in the name of one or more partners with an indication in the instrument transferring title to the property of the individuals' capacity as partners or of the existence of a partnership may be transferred by an instrument of transfer executed by the persons in whose name title is held.

(3) Property transferred under subsection 1 or 2 may be recovered by the partnership if it proves that the act of the person executing the instrument of transfer did not bind the partnership under Section 301, unless the property had been transferred by the transferee or a person claiming through the transferee to a holder for value without knowledge that the person executing the instrument of transfer lacked authority.
(b) Title to partnership property which is held in the name of one or more persons other than the partnership, without an indication in the instrument transferring title to the property of the individuals' capacity as partners or of the existence of a partnership, may be transferred by the persons in whose name title is held to a transferee, who gives value without notice that it is partnership property, free of any claims of the partnership or the partners.

SECTION 303. STATEMENT OF PARTNERSHIP AUTHORITY.

(a) A partnership may execute and file in the office of [the Secretary of State] a statement of partnership authority.

(b) A statement of partnership authority:

(1) must list the name of the partnership and the mailing address of an office of the partnership in this State, if there is one, otherwise the principal executive office of the partnership;

(2) must list the names and mailing addresses of all of the partners or of an agent appointed and maintained by the partnership;

(3) must be signed and acknowledged by all of the partners, if there are 10 or fewer partners, and by at least 10 partners, if there are more than 10 partners;
(4) must specify the partners required to sign a transfer of real property held in the name of the partnership; and

(5) may contain any other matters the partnership chooses, including the authority, or limitations upon the authority, of some or all of the partners to enter into other transactions on behalf of the partnership.

(c) If a statement of partnership authority lists an agent, the agent shall maintain a list of all of the partners and make it available to any other person on request for good cause shown.

(d) An amendment to a statement of partnership authority must meet the requirements for execution of an original statement unless otherwise provided in the statement. A notice of denial under Section 304 is not an amendment under this subsection.

(e) Even if a filed statement of partnership authority or an amendment thereto does not conform to all of the requirements of subsections (b) and (c), it operates with respect to other persons as provided in subsections (h) and (i) if it is signed and acknowledged by the number of partners specified in subsection (b)(3).

(f) Partners filing a statement of partnership authority, or an amendment thereto, shall promptly send copies of the statement or amendment to all of the partners or other persons named as partners. Failure to send a copy
under this subsection does not affect the validity of the
statement or amendment.

(g) A person may sign and acknowledge a statement of
partnership authority, or an amendment thereto, by an
attorney in fact.

(h) A filed statement of partnership authority
supplements the authority of a partner under Section 301 to
enter into transactions on behalf of the partnership as
follows:

(1) Except as provided in paragraph (2), a grant
of authority to a partner contained in a statement of
partnership authority is conclusive, in favor of a person
who gives value without knowledge to the contrary, that a
partner stated to be authorized to transfer partnership
property or enter into other transactions on behalf of the
partnership is authorized.

(2) A grant of authority to a partner contained
in a statement of partnership authority to transfer real
property is conclusive in favor of a person who gives value
without knowledge of an actual lack of authority only if
the title to the real property is recorded in the
partnership name and the statement, or a certified copy
thereof, is recorded in the place for recording transfers
of that property.

(i) A filed statement of partnership authority
limits the authority of a partner under Section 301 to
enter into transactions on behalf of the partnership as follows:

(1) Except as provided in paragraph (2), a limitation on the authority of a partner contained in the statement is effective against a person not a partner only if the person knows of the limitation.

(2) A limitation on the authority of a partner to transfer real property contained in the statement is effective against a person not a partner if title to the property is recorded in the partnership name and the statement, or a certified copy thereof, is recorded in the place for recording transfers of that property.

(j) A partnership may record, in the place for recording transfers of real property, a certified copy of the statement of partnership authority, or any amendment thereto or notice of denial thereof, that has been filed in the office of [the Secretary of State].

(k) A partnership may cancel a statement of partnership authority by filing an amendment that identifies the statement and states that it is canceled. A statement of partnership authority that is not otherwise canceled is canceled by operation of law upon the expiration of five years after the day on which it is filed with [the Secretary of State].

(1) The [Secretary of State] may collect a fee for the filing of a statement of partnership authority, or any
amendment thereto, as may [the officers responsible for]
recording transfers of real property.

SECTION 304. NOTICE OF DENIAL OF STATUS AS PARTNER OR
AUTHORITY.

(a) A partner or other person named as a partner in
a statement of partnership authority, or the person's legal
representative, may sign, acknowledge, and file in the
office of [the Secretary of State] a notice of denial
stating the name of the partnership and the fact that is
being denied.

(b) A person named as a partner in a statement of
partnership authority may deny present or previous
membership in the partnership by filing a notice of denial
as provided in subsection (a). However, the filing of a
notice of denial does not relieve a departing partner of
compliance with Articles 6, 7, and 8.

(c) If a partner, or a person named as a partner in
a filed statement of partnership authority, denies a
supplemental grant of authority contained in the statement,
the statement with respect to the grant of authority ceases
to be effective against a person not a partner. But if the
statement is recorded in the place for recording transfers
of real property, the denial is not effective unless it, or
a certified copy, is also recorded in the same place.

(d) A present or former partner filing a notice of
denial shall promptly send a copy of the notice to the
other persons named as partners in the statement of partnership authority and to any agent named in the statement. Failure to send a copy under this subsection does not affect the validity of the denial with respect to other persons.

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

(a) A partnership is liable for loss or injury caused to a person or for a penalty incurred as a result of actionable conduct by an act or omission of a partner acting in the ordinary course of business of the partnership or with the actual or apparent authority of the partnership.

(b) If, in the course of its business, a partnership receives money or property of a person not a partner which is misapplied by a partner while it is in the custody of the partnership, the partnership is liable for the loss.

SECTION 306. PARTNER'S LIABILITY. All partners are liable jointly and severally for all obligations of the partnership as provided in Section 307 unless otherwise agreed by the claimant or provided by law.

SECTION 307. ACTION AGAINST PARTNERSHIP AND PARTNERS.

(a) A partnership may sue and be sued in the partnership name.
(b) An action may be brought against the partnership and any or all of the partners in the same action or in separate actions.

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

(d) A judgment creditor of a partner may not levy execution against the assets of the partner to satisfy a judgment based on a claim that could have been successfully asserted against the partnership unless:

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

(2) an involuntary case under Title 11 of the United States Code has been commenced against the partnership and has not been dismissed within 60 days after commencement, or the partnership has commenced a voluntary case under Title 11 of the United States Code and the case has not been dismissed;

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

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

(5) liability is imposed on the partner by law or contract independent of the existence of the partnership.

SECTION 308. PURPORTED PARTNER.

(a) If a person, by words spoken or written or by conduct, purports to be a partner, or consents to being represented by another as a partner, in a partnership or with one or more persons not partners, the purported partner is liable to a person to whom the representation is made, who, relying on the representation, gives credit to the actual or purported partnership. If the representation, either by the purported partner or by a person with the purported partner's consent, is made in a public manner, the purported partner is liable to a person who gives credit in reliance upon the purported partnership even if the purported partner is not aware of being held out as a partner to the claimant. If partnership liability results, the purported partner is liable as if the purported partner were a partner. If no partnership liability results, the purported partner is liable jointly and severally with any other person consenting to the representations.
(b) If a person is represented to be a partner in an existing partnership, or with one or more persons not partners, the purported partner is an agent of persons consenting to the representation to bind them to the same extent and in the same manner as if the purported partner were a partner, with respect to persons who give credit in reliance upon the representation. If all of the members of the existing partnership consent to the representation, a partnership act or obligation results. If fewer than all of the members of the existing partnership consent to the representation, the person acting and the persons consenting to the representation are jointly and severally liable.

(c) A person is not a partner in a partnership solely because the person is named by another in a statement of partnership authority.

(d) A person does not continue to be a partner solely because of a failure to amend a statement of partnership authority to reflect the person's dissociation from the partnership.

SECTION 309. LIABILITY OF INCOMING PARTNER. A person admitted as a partner into a partnership is liable for all obligations of the partnership arising before the person's admission as if the person had been a partner when the obligations were incurred, but the liability may be satisfied only out of partnership property.
ARTICLE 4

RELATIONS OF PARTNERS TO ONE ANOTHER

AND TO THE PARTNERSHIP

Section 401. Rules Determining Rights and Duties of Partner.

Section 402. Distributions in Kind.

Section 403. Rights of Partner to Obtain Information.

Section 404. Limited Fiduciary Duties of Partner.

Section 405. Liability of Partner to Partnership.

Section 406. Remedies of Partnership and Partners.

Section 407. Continuation of Partnership Beyond Definite Term or Particular Undertaking.

SECTION 401. RULES DETERMINING RIGHTS AND DUTIES OF PARTNER.

(a) A partnership shall credit each partner with an amount equal to the cash plus the value of any other property the partner contributes to the partnership.

(b) A partnership shall credit each partner with an equal share of the profits of the partnership and charge each partner with a share of the losses, whether capital or operating, of the partnership in proportion to the partner's share of the profits.

(c) A partnership shall indemnify each partner for payments reasonably made and personal liabilities reasonably incurred by the partner in the ordinary and proper conduct of the business of the partnership or for the preservation of its business or property.
(d) A partnership shall repay a partner who, in aid of the partnership, makes any payment or advance beyond the amount of capital the partner agreed to contribute.

(e) A payment made by a partner which gives rise to a partnership obligation under subsection (c) or (d) is treated as a loan to the partnership. Interest accrues from the date of the payment or advance.

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

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

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

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

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

(k) A partner's right to a liquidating distribution is determined by the partner's capital account. A partner's capital account is increased by the partner's
contributions and share of the profits and decreased by the
partner's distributions and share of the losses.

(1) This section does not limit the obligations of a
partnership to other persons under Section 301.

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

SECTION 403. RIGHT OF PARTNERS TO OBTAIN INFORMATION.

(a) A partnership shall keep its books and records,
if any, at its principal place of business.

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

(c) A partnership, on demand, shall furnish to a
partner, and the legal representative of a deceased partner
or partner under legal disability, to the extent just and
reasonable, complete and accurate information concerning
the partnership.

SECTION 404. LIMITED FIDUCIARY DUTIES OF PARTNER.

(a) The only fiduciary duties a partner owes to the
partnership and the other partners are the duty of good
faith and fair dealing, the duty of loyalty, and the duty of care, as set forth in this section.

(b) A partner owes a duty of good faith and fair dealing to the partnership and the other partners in all matters related to the formation, conduct, and liquidation of the partnership. The duty may not be eliminated by agreement, but the parties by agreement may identify specific conduct that does not violate the duty if the conduct is not manifestly unreasonable.

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

(1) to account to the partnership and hold as trustee for it any property, profit, or benefit derived by the partner, without the informed consent of the other partners, from a transaction connected with the formation, conduct, or liquidation of the partnership or from a use by the partner of partnership property;

(2) to refrain from dealing with the partnership as, or on behalf of, an adverse party without the informed consent of the other partners; and

(3) to refrain from competing with the partnership without the informed consent of the other partners.

(d) A partner does not violate either the duty of good faith and fair dealing or the duty of loyalty merely because the partner's conduct furthers the partner's
individual interest. A partner may purchase, for the partner's own account or otherwise, the assets of the partnership in a foreclosure sale or upon liquidation of the partnership.

(e) A partner owes a duty of care to the partnership and the other partners to act in the conduct of the business of the partnership in a manner that does not constitute gross negligence or willful misconduct. An error in judgment or a failure to use ordinary skill and care is not gross negligence.

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

SECTION 405. LIABILITY OF PARTNER TO PARTNERSHIP. A partner is liable to the partnership for a breach of the partnership agreement or other wrongful conduct.

SECTION 406. REMEDIES OF PARTNERSHIP AND PARTNERS.

(a) A partnership may maintain an action against a partner for a breach of the partnership agreement or other wrongful conduct.

(b) A partner may maintain an action for legal or equitable relief, including an accounting as to partnership business, to:

(1) enforce a right of the partner specified in Section 401;
(2) enforce a right to have the partnership cause a dissociated partner's interest in the partnership to be purchased, as provided in Section 701(a);

(3) compel a dissolution and winding up of the partnership business, as provided in Section 801;

(4) enforce a right in connection with a dissolution and winding up of the partnership business, as provided in Article 8;

(5) enforce a right of the partner under the partnership agreement; or

(6) otherwise protect the rights and interests of the partner.

SECTION 407. CONTINUATION OF PARTNERSHIP BEYOND DEFINITE TERM OR PARTICULAR UNDERTAKING.

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

(b) A continuation of the business by the partners or such of them as habitually acted therein during the term or undertaking, without any settlement or liquidation of the partnership business, is prima facie evidence of an agreement that the business will not be wound up.
(c) The accrual of, and any time limitation on, a right of action for a remedy under this section is governed by otherwise applicable law. A right to an accounting upon a dissolution and winding up does not revive a claim otherwise barred by applicable law.
ARTICLE 5
TRANSFEREES AND CREDITORS OF PARTNER

Section 501. Partner's Interest in Partnership Property
Not Transferable.

Section 502. Transferable Interest of Partner in Partnership.

Section 503. Transfer of Partner's Transferable Interest.

Section 504. Partner's Transferable Interest Subject to Charging Order.

SECTION 501. PARTNER'S INTEREST IN PARTNERSHIP PROPERTY

NOT TRANSFERABLE. A partner has no interest that can be transferred, either voluntarily or involuntarily, in partnership property.

SECTION 502. TRANSFERABLE INTEREST OF PARTNER IN PARTNERSHIP.

(a) The only transferable interest of a partner in the partnership is the partner's interest in distributions. The interest is personal property.

(b) A transferee of a partner's transferable interest in the partnership has the right to cause a winding up of the partnership business as provided in Section 801(a)(9).

SECTION 503. TRANSFER OF PARTNER'S TRANSFERABLE INTEREST.

(a) A transfer of a partner's transferable interest in the partnership:

(1) is permissible, in whole or in part;

(2) does not by itself cause a winding up of
the partnership business; and

   (3) does not, as against the other partners,

entitle the transferee, during the continuance of the
partnership, to participate in the management or conduct of
the partnership business, to require access to information
or an account of partnership transactions, or to inspect
the partnership books or records.

   (b) A transferee of a partner's transferable

interest in the partnership is entitled to receive, in
accordance with the transfer, distributions to which the
transferor would otherwise be entitled. Upon transfer, the
transferor retains all of the rights and obligations of a
partner other than the interest in distributions.

   (c) If an event causes a dissolution and winding up

of the partnership business under Section 801, a
transferee is entitled to receive, in accordance with the
transfer, the net amount otherwise distributable to the
transferor. The transferee may require an account only
from the date of the last account agreed to by all of the
partners.

   (d) Upon receipt of notice of a transfer, the

partnership shall give effect to the transferee's rights
under this section.

SECTION 504. PARTNER'S TRANSFERABLE INTEREST SUBJECT TO
CHARGING ORDER.
(a) On application to a court by a judgment creditor of a partner or partner's transferee, the court that entered the judgment, or any other court, may charge the transferable interest of the debtor partner or transferee with payment of the unsatisfied amount of the judgment with interest thereon. The court, then or later, may appoint a receiver of the debtor's share of the distributions due or to become due to the debtor in respect of the partnership, and make all other orders, directions, accounts, and inquiries the debtor might have made or which the circumstances of the case may require.

(b) A charging order constitutes a lien on the judgment debtor's transferable interest in the partnership. The court may order a foreclosure of the charging order at any time and upon conditions it considers appropriate. The purchaser at the foreclosure sale has the rights of a transforee.

(c) At any time before foreclosure, an interest charged may be redeemed by the judgment debtor or:

(1) with separate property, by one or more of the partners; or

(2) with partnership property, by one or more of the partners with the consent of all of the partners whose interests are not so charged or sold.
(d) This [Act] does not deprive a partner of any right under the exemption laws with respect to the partner's interest in the partnership.

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

PARTNER DISSOCIATION

Section 601. Events Causing Dissociation of Partner.

Section 602. Wrongful Dissociation.

Section 603. Effect of Dissociation on Partner's Liability. [Moved to 703]

Section 603. Effect of Dissociation of Partner. [New]

Section 604. Liability of Persons Continuing Business in Certain Cases. [Deleted]

Section 604. Continued Use of Partnership Name. [Old 810]

SECTION 601. EVENTS CAUSING DISSOCIATION OF PARTNER. A partner's dissociation from a partnership occurs upon the occurrence of any of the following:

(1) Receipt by the partnership of notice of the partner's express will to withdraw as a partner, or on a future later date, if any, specified in the notice.

(102) An event agreed to in the partnership agreement as causing a dissociation of the partner.

(22) The expulsion of the partner in accordance with the partnership agreement.

(4) The expulsion of a the partner by the unanimous vote of the other partners if:

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

(ii) because the partner has transferred, voluntarily or involuntarily, all or substantially all of the partner's entire transferable interest in the partnership, to a transferee, other than a secured party or judgment creditor who has not foreclosed the right of the—
partner to redeem the interest transfer for security purposes or a charging order that has not been foreclosed, if the to a transferee who has not been admitted as a substituted partner; or

(iii) in the case of a partner that is a corporation, within 90 days after the partnership notifies the corporate partner that it will be expelled because it has filed a certificate or articles of dissolution (or the equivalent) or because its charter has been revoked or the jurisdiction of its incorporation has suspended its right to conduct business, if there is no cure reinstatement of its charter or its right to conduct business within the 90 days; or

(iv) in the case of a partner that is a partnership, if an event causes the a dissolution and winding up of the business of that a partnership that is a partner.

(35) The expulsion of the partner by a court, on application by another partner, if it is determined upon a judicial determination that:

(i) the expelled partner has been guilty of engaged in conduct that tending to affect prejudicially the carrying-on-of adversely and materially affects the partnership business;

(ii) the expelled partner has wilfully or persistently committed a material breach of the partnership agreement or otherwise breached of a partnership duty owed to the other partners; or
(iii) the partner has engaged in conduct relating to the partnership's business that makes it not reasonably practicable to carry on the business in partnership with that partner.

(56) The partner's becoming a debtor in bankruptcy or executing an assignment for the benefit of creditors.

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

(i) the death of the partner;

(ii) the appointment of a [general conservator] for the partner; or

(iii) a judicial determination that the partner has otherwise become incapable of performing the partner's obligations under the partnership agreement.

(78) In the case of a partner that is a trust or is acting as a partner by virtue of being a trustee of a trust, the distribution by the trust of its entire transferable interest in the partnership, but not merely the substitution of a successor trustee.

(82) In the case of a partner that is an estate or is acting as a partner by virtue of being a [personal representative] of an estate, the distribution of the estate's entire transferable interest in the partnership, but not merely the substitution of a new representative.
In the case of a partner that is not an individual, partnership, corporation, trust, or estate, the termination of the partner.

SECTION 602. WRONGFUL DISSOCIATION.

(a) A dissociation is wrongful only if:

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

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

(i) a partner withdraws by express will, unless the withdrawal is authorized by Section 801(a)(2) or (3); a provision of this Act other than Section 601 or by the partnership agreement; or

(ii) a partner is expelled because the partner by a court upon its determination that:

(A) the partner has been guilty of engaged in conduct that tending to affect prejudicially the carrying on of adversely and materially affects the partnership business;

(B) the partner has wilfully or persistently committed a material breach of the partnership agreement or otherwise breached of a partnership duty owed to the other partners; or
(C) the partner's conduct in matters relating to the partnership's business makes to the extent that it is not reasonably practicable to carry on the business in partnership with that partner; or

(iii) a partner who is not an individual, a trust, other than a business trust, or an estate, is expelled or dissociated as a result of having wilfully caused its own termination or dissolution or termination.

(ab) A wrongfully dissociating partner who wrongfully dissociates is liable to the other partners and the partnership for damages caused by the dissociation. The liability is in addition to any other liability of the partner to the other partners or the partnership, including liability for any breach of the partnership agreement or other wrongful conduct.

[Moved to 703] SECTION 603: EFFECT OF DISSOCIATION ON PARTNER'S LIABILITY.

(a) The dissociation of a partner does not by itself discharge the liability of a partner for an obligation of the partnership incurred before the dissociation.

(b) A partner who has dissociated is discharged from liability for an obligation of the partnership incurred before the dissociation by an agreement to that effect between or among the partner, the partnership creditor, and the person continuing the business.

(c) If a creditor of the partnership who has notice of a dissociation, but not the consent of the dissociating partner, consents to a material alteration in the nature or
time of payment of an obligation of the partnership
incurred before the dissociation, the partner who has
dissociated is discharged from the obligation.

SECTION 603. EFFECT OF DISSOCIATION OF PARTNER. Upon
dissociation of a partner, that partner's interest in the
partnership must be purchased under Article 7 unless there
is a dissolution and winding up of the partnership business
under Article 8.

SECTION 604. LIABILITY OF PERSONS CONTINUING
BUSINESS IN CERTAIN CASES. Unless otherwise agreed or
provided in this [Act], relationships between a partnership
and its creditors are not affected by the dissociation of a
partner or by the addition of a new partner.

SECTION 604. CONTINUED USE OF PARTNERSHIP NAME. The
continued use by a person continuing the business of the
partnership name, or the name of a deceased dissociated
partner as part thereof, by a person continuing the
business does not of itself make the separate property of
the deceased dissociated partner liable for any debt or
obligation of that the person continuing the business.
ARTICLE 7

BUYOUT PURCHASE OF PARTNER'S INTEREST


Section 702. Power of Dissociated Partner to Bind Partnership and Liability to Other Persons If Dissociation Does Not Cause Winding up of When Business Not Wound Up.


SECTION 701. BUYOUT OF PERSON WHO DISSOCIATES PURCHASE OF DISSOCIATED PARTNER'S INTEREST WHEN PARTNERSHIP BUSINESS IS NOT WOUND UP.

(a) If a person partner dissociates from a partnership pursuant to Section 601, but no event causes a dissolution and winding up of the partnership business under Section 802, the partnership shall cause the interest of the person who dissociates dissociated partner to be purchased for its fair market value a price determined pursuant to subsection (b).

(b) The fair-market-value buyout price of the dissociated partner's interest of the dissociated person is determined as of the time of the event causing dissociation. Fair market value of the person's The buyout price of the dissociated partner's interest is the amount that would have been distributable to that person partner if the dissociation had caused a winding up of the partnership business occurred at that time. In determining
that amount, the assets of the partnership are valued at
the greater of liquidation value or value based on sale of
the entire business as a going concern without the
dissociated partner. In either case, the determination
valuation must be made on the basis of the price amount
that would be paid by a willing buyer to a willing seller,
neither being under any compulsion to buy or sell, and with
knowledge of all relevant facts. Interest must be paid
from the date of dissociation to the date of payment.

(c) The amount owing to the dissociating partner
under this section buyout price must be offset by any
damages for wrongful dissociation, as provided in Section
602(b), and all other amounts owing, whether or not
presently due, from the dissociated partner to the
partnership.

(ed) The partnership must indemnify the
dissociated partner against all present and future
liabilities, except for liabilities that are unknown to the
partnership, other than to the dissociated partner, and
were caused by the dissociated partner that have been taken
into account to determine the amount paid for the
partnership interest.

(de) If no agreement for the purchase of the
interest of a dissociated partner is reached within 90–120
days after a demand for payment, either the departing
dissociating partner or the partnership may maintain an
action to determine the amount due the partnership shall
pay, or cause to be paid, in cash to the dissociated
partner the net amount the partnership estimates to be the
buyout price, plus accrued interest. The payment must be
accompanied by a statement of partnership liabilities as of
the date of dissociation and a written notice stating that
the payment is in full satisfaction of the obligation to
purchase unless, within 120 days after the notice, the
dissociated partner commences an action to determine the
buyout price or other terms of the obligation to purchase.
If a deferred payment is authorized under subsection (g),
in lieu of a cash payment, the partnership may tender a
written offer to pay the net amount it estimates to be the
buyout price, stating the time of payment, the amount and
type of security, and the other terms and conditions of the
obligation.

(f) If the court determines the amount due, it
shall order the partnership to cause the purchase of the
interest of the departing dissociating partner and enter
judgment accordingly. A dissociated partner may maintain
an action to determine the buyout price of the dissociated
partner's partnership interest or other terms of the
purchase obligation, as provided in Section 406(b)(2). The
action must be commenced within 120 days after receipt of
payment from the partnership as provided in subsection (e)
or within 120 days after demand if no payment is received.
The court shall determine the buyout price of the
dissociated partner's interest and the net amount due to or
from the dissociated partner and enter judgment for any
additional payment or refund. If deferred payment is
authorized under subsection (g), the court shall also
determine the security and other terms of the obligation to
purchase and enter judgment accordingly. The court may
assess attorney's fees and the fees and expenses of
appraisers or other experts for a party to the action, in
amounts the court finds equitable, against any other party.
if the court finds that the other party acted arbitrarily,
vexatiously, or not in good faith.

(g) A partner who wrongfully dissociates before the
expiration of a specified definite term or the completion
of a particular undertaking need is not be paid entitled to
payment of any portion of the value of the partner's
interest buyout price before until the expiration of the
term or completion of the undertaking, unless the partner
establishes to the satisfaction of the court that earlier
payment will not cause undue hardship to the business of
the partnership. Any deferred payments must be adequately
secured and bear interest.

SECTION 702. POWER OF DISSOCIATED PARTNER TO BIND
PARTNERSHIP AND LIABILITY TO OTHER PERSONS IF DISSOCIATION
DOES NOT CAUSE WINDING UP OF WHEN BUSINESS NOT WOUND UP.

(a) Except as provided in subsection (b), a partner
who dissociates pursuant to Section 601 without causing a
dissolution and winding up of the partnership business
under Section 802, is neither personally liable as a
partner for any partnership liability incurred, nor
empowered to bind the partnership, after the dissociation,
unless the transaction is one that would bind the
partnership under Section 301 before dissociation. The
dissociated partner is liable, and empowered to bind the
partnership, for transactions entered into within two years
after the dissociation if the other party to the
transaction does not have notice of the dissociation.

(b) A dissociated partner or the partnership may
execute and file, in the office of (the Secretary of
State), a statement that the partner is dissociated from
the partnership. The dissociated partner is not liable,
and the partnership is not bound, if a statement of
dissociation is filed [more than two years] before the
transaction.

SECTION 6703. EFFECT OF DISSOCIATION ON PARTNER'S
LIABILITY OF DISSOCIATED PARTNER FOR PARTNERSHIP
OBLIGATIONS WHEN BUSINESS NOT WOUND UP.

(a) The dissociation of a partner does not by of
itself discharge the liability of the partner for an
obligation of the partnership incurred before the
dissociation.

(b) A dissociated partner who has dissociated is
discharged released from liability for an partnership
obligation of the partnership incurred before the
dissociation by an agreement to that effect between or
among of the dissociated partner, the partnership creditor,
and the person partners continuing the business.

(c) If a partnership creditor of a partnership who
has with notice of a dissociation, but not without the
consent of the dissociated partner, consents to a material
alteration in the nature or time of payment of an
partnership obligation of the partnership incurred before
the dissociation, the dissociated partner who has
dissociated is discharged released from liability for the
obligation.
ARTICLE 8

WINDING UP PARTNERSHIP BUSINESS

Section 801. When Partnership is Dissolved. [To 802(a)]

Section 802(1). Events Causing Dissolution and Winding Up of Partnership Business.

Section 803. Winding Up Partnership Business.

Section 804. Right to Wind Up Partnership Business.

Section 805. Power of Partner to Bind Partnership to Other Persons After Event Causes Winding Up Dissolution.

Section 806. Statement of Dissolution. [New]

Section 807. Liability of Partner to Other Partners After Event Causes Winding Up Dissolution.

Section 808. Distribution of Assets upon Winding Up Settlement of Accounts Among Partners.

Section 809. Accrual of Actions. [Moved to 406]

Section 810. Continued Use of Partnership Name. [To 604]

SECTION 802(1). EVENTS CAUSING DISSOLUTION AND WINDING UP OF PARTNERSHIP BUSINESS.

(a) Except as provided in subsection (b), the dissolution of a partnership's business occurs, and its business must be wound up, only upon the occurrence of any of the following events:

(1) In a partnership at will, upon receipt by the partnership of notice from a partner, not then otherwise dissociated under Section 601, of the partner's express will to withdraw as a partner or to wind up the partnership business, or upon the on a later future date, if any, specified in the notice.

(2) In a partnership for a definite term or particular undertaking, if a partner wrongfully
dissociates, upon receipt by the partnership of notice, within 90 days after the a partner's wrongful dissociation, of any other partner's express will that to withdraw or to wind up the partnership business be wound-up.

(3) In a partnership for a definite term or particular undertaking, if a partner dissociates by death or otherwise pursuant to Sections 601(5), (6), (7), (8) or (9), upon receipt by the partnership of notice, within 90 days after the dissociation of a partner by death or otherwise pursuant to Section 601(5), (6), (7), (8), or (9), of any other partner's express will that to withdraw or to wind up the partnership business be wound-up.

(4) In a partnership for a definite term or particular undertaking, if a partner's transferable interest has been assigned pursuant to Section 503 or charged for a partner's separate debts under Section 504, by the express will of all the partners, except those whose have transferred all or substantially all of their transferable interests have been assigned or charged in the partnership, other than a transfer for security purposes or a charging order that has not been foreclosed.

(75) An event agreed to in the partnership agreement requiring the resulting in the dissolution and winding up of the partnership business unless If all the partners agree to the contrary. If there is unanimous agreement, the partnership agreement shall be is deemed
amended retroactively to provide that the event does not result in the dissolution and winding up of the partnership business.

(86) In a partnership for a definite term or particular undertaking, the termination expiration of the term or the completion of the undertaking, unless if all the partners agree to the contrary. If there is unanimous agreement, the partnership agreement shall be deemed amended retroactively to provide that the termination or completion does not result in the dissolution and winding up of the partnership business.

(82) An event that makes it unlawful for all or substantially all of the business of the partnership to be continued, but any cure of illegality within 90 days after notice to the partnership of the event is effective retroactively to the date of the event for purposes of this section.

(98) When if a court, on application by a partner, decrees that:

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

(ii) a partner's conduct in matters relating to the partnership business is such that it is not reasonably practicable to carry on the business in partnership with that partner; or
(iii) it is not otherwise reasonably practicable to carry on the partnership business in conformity with the partnership agreement.

(59) When If a court, on application by a person who becomes an assignee transferee of a partner's transferable interest under Section 503 or 504, decrees that it is equitable to wind up the partnership business:

(i) after the termination of the term or completion of the undertaking, if the partnership was for a definite term or particular undertaking; or

(ii) at any time, if the partnership was a partnership at will when the transferable interest was assigned or when at the time of the transfer or entry of the charging order was issued.

(b) Within 90 days after receipt of the notice to by the partnership under subsection (a)(1), (2), or (3), the partner who gave the notice may expressly waive the right to a winding up of the partnership business.

SECTION 8032. WINDING UP PARTNERSHIP BUSINESS.

(a) SECTION 801.—WHEN PARTNERSHIP IS DISSOLVED.

A partnership is dissolved only when an event occurs which causes a winding up of its business under Section 802. On dissolution, the partnership is not terminated, but continues until the winding up of partnership its business is completed, at which time the partnership is terminated.
(b) If an event causes a winding up of the partnership business, the assets of the partnership must be applied to discharge its liabilities, and any surplus must be applied to pay in cash the net amount distributable to the each partners.

SECTION 8063. WHO MAY RIGHT TO WIND UP PARTNERSHIP BUSINESS.

(a) The partners who have not wrongfully caused a winding-up dissociated may wind up the partnership business, but [designate the appropriate court], for good cause, may wind up the partnership business upon application of any partner, partner's legal representative, or assignee transferee.

(b) The legal representative of the last surviving partner may wind up the partnership business.

(c) A person winding up a partnership's business, in the name of, and for and on behalf of, the partnership, may preserve the partnership business or property as a going concern for a reasonable time, prosecute and defend suits, actions, whether civil, criminal, or administrative, settle and close the partnership's business, dispose of and convey the partnership's property, discharge the partnership's liabilities, distribute to the partners any remaining the assets of the partnership in accordance with Section 806, and perform other necessary acts.
SECTION 804. POWER OF PARTNER TO BIND PARTNERSHIP TO OTHER PERSONS AFTER DISSOLUTION.

(a) After an event causing a dissolution and winding up of the partnership business, a partnership is bound:

(1) by a partner's act that is appropriate for winding up the partnership business; and

(2) by a partner's act that would have bound the partnership under Section 301 before dissolution, if the other party to the transaction does not have notice of the dissolution.

(b) This section does not affect the liability under Section 308 of a person who, after an event causing a dissolution and winding up, purports to be a partner or consents to being represented by another as a partner in a partnership engaged in carrying on business.

SECTION 805. STATEMENT OF DISSOLUTION.

(a) A partnership may execute and file, in the office of [the Secretary of State], a statement that the partnership has dissolved and is winding up its business.

(b) If no statement of partnership authority is filed and in effect, a statement of dissolution must meet the requirements of Section 303 for execution of an original statement of partnership authority; otherwise, it must meet the requirements of Section 303 for an amendment to a statement of partnership authority.
(c) Unless otherwise stated in a statement of dissolution, the statement does not amend a grant of authority or a restriction on authority in an existing statement of partnership authority except to limit the grant of authority to acts appropriate for winding up the partnership business.

(d) A statement of dissolution has the same effect as a statement of partnership authority, except that two years after it is filed with [the Secretary of State] the statement of dissolution is conclusive notice that the partnership has dissolved and its business is being wound up.

SECTION 8056. LIABILITY OF PARTNER TO OTHER PARTNERS AFTER EVENT CAUSING WINDING UP DISSOLUTION.

(a) Except as provided in subsection (b), each partner is liable to the other partners for the partner's share of any liability binding the partnership by an act of a partner after an event causing a dissolution and winding up of the partnership business if:

(1) the act is appropriate for winding up the partnership business; or

(2) the act binds the partnership under Section 804(a)(2).

(b) A partner is not liable to another partner who, with knowledge of the winding up, binds the partnership
under Section 804(a)(2) in a transaction that is not appropriate for winding up the partnership business.

SECTION 807. DISTRIBUTION OF ASSETS UPON WINDING UP
SETTLEMENT OF ACCOUNTS AMONG PARTNERS.

(a) Upon winding up the partnership business, each partner is entitled to a settlement of all partnership accounts.

(b) In settling accounts between among the partners upon winding up the partnership business:

(1) The assets of the partnership shall must be applied in the following order:

(i) to creditors, including partners who are creditors, in satisfaction of liabilities of the partnership; and

(ii) to partners, in accordance with their right to distributions.

(2) Partnership assets shall must be applied to satisfy partnership liabilities before partners are required to make additional contributions.

(3) The partners shall contribute, as provided by Section 401(b), the amount necessary to satisfy the liabilities. If any partner fails to contribute, the other partners shall contribute their share of the liabilities and, in the relative proportions in which they share the losses, the additional amount necessary to pay the liabilities.
(4) An assignee for the benefit of a partner's creditors of a partnership or a partner or any person appointed by a court to represent a partner's creditors of the partnership or a partner may enforce a partner's obligation to contribute to satisfy partnership liabilities.

(5) A partner, or partner's legal representative or transferee, may recover any contributions the partner made under paragraph (3), to the extent the amount exceeded the partner's share of the liability.

(6) The estate of a deceased partner is liable for the contributions specified in paragraph (3).

[Moved to 407(c)] SECTION 808. ACCRUAL OF ACTIONS. The right to an account of a partnership interest accrues to a partner or partner's legal representative or transferee, as against the winding up partners or the surviving partners or the person or partnership continuing the business, at the date of dissociation. The right to an account upon the dissociation of a partner is independent of any right to account under Section 406.

SECTION 809. FRAUDULENT TRANSFERS. This Article does not modify any right of creditors to set aside an assignment on the ground of fraud.

[Moved to 604] SECTION 810. CONTINUED USE OF PARTNERSHIP NAME. The use by a person continuing the business of the partnership name, or the name of a deceased partner as part
thereof, does not of itself make the separate property of
the deceased partner liable for any debt or obligation of
that person.
SECTION 901. CONVERSION OF GENERAL PARTNERSHIP TO LIMITED PARTNERSHIP.

(a) A general partnership formed under the provisions of this [Act], or any predecessor general partnership act, may convert to a limited partnership as provided in this section.

(b) The conversion of a general partnership to a limited partnership must be approved by the affirmative vote of a majority of the partners. To convert, the partnership must:

(1) file a certificate of limited partnership that meets the requirements of [Section 201 of the Revised Uniform Limited Partnership Act] and includes the following:

(i) a statement that the partnership formerly operated as a general partnership; and

(ii) the name of the former general partnership at the time of the conversion;
(2) amend its partnership agreement to reflect
the change in status of the partnership and the partners;
and
(3) send a copy of the amended partnership
agreement and the certificate of limited partnership to
each continuing partner.

(b) The conversion is effective when the certificate
of limited partnership is filed, or at a later date, if
any, specified in the certificate.

(c) A partner who votes against the conversion is
deemed to be a partner who has dissociated from the
partnership in a manner that is not wrongful under Section
602.

(d) A general partner who becomes a limited partner
as a result of the conversion remains liable as a general
partner for an obligation of the partnership incurred
before the effective date of the conversion. The partner's
liability for an obligation of the partnership incurred
after the effective date of the conversion is that of a
limited partner as provided in the [State] Limited
Partnership Act.

SECTION 902. CONVERSION OF LIMITED PARTNERSHIP TO
GENERAL PARTNERSHIP.

(a) A limited partnership formed under the provisions
of the [State] Limited Partnership Act, or any predecessor
limited partnership act, may convert to a general partnership as provided in this section.

(b) The conversion of a limited partnership to a general partnership must be approved by the unanimous vote of all the partners. To convert, the limited partnership must:

(1) cancel its certificate of limited partnership pursuant to Section [203 of the Revised Uniform Limited Partnership Act];

(2) amend its partnership agreement to reflect its change in status and any change in its name; and

(3) send a copy of the amended partnership agreement to each continuing partner.

(c) The conversion is effective when the certificate of limited partnership is canceled.

(d) A limited partner who becomes a general partner as a result of the conversion remains liable only as a limited partner for an obligation incurred by the partnership before the effective date of the conversion. The partner's liability for an obligation of the partnership incurred after the effective date of the conversion is that of a general partner, as provided in this [Act].

SECTION 903. EFFECT OF CONVERSION; ENTITY UNCHANGED.
(a) A partnership that has converted pursuant to this article is for all legal purposes the same entity that existed before the conversion.

(b) Upon the effective date of the conversion,

(1) title to all real and other property and rights owned by the converting partnership remain vested in the converted partnership without further act or deed and without reversion or impairment; and

(2) all liabilities of the converting partnership continue to be the liabilities of the converted partnership to the same extent as if the liabilities had been incurred by the converted partnership.

SECTION 904. MERGER OF PARTNERSHIPS.

(a) Pursuant to a plan of merger approved as provided in subsection (b)(3), the following entities may be merged in accordance with the provisions of this section:

(1) One or more general partnerships formed under the provisions of this [Act], or any predecessor general partnership act, and one or more other general partnerships formed under the provisions of this [Act], or any predecessor general partnership act, or the general partnership statute of another state;

(2) One or more general partnerships formed under the provisions of this [Act], or any predecessor general partnership act, and one or more limited partnerships
formed under the provisions of the [State] Limited Partnership Act or the limited partnership statute of another state.

(b) The plan of merger --

(1) must set forth:

(i) the name of each domestic or foreign partnership that is a party to the merger;

(ii) the name of the surviving domestic or foreign partnership and whether it will be a general or a limited partnership;

(iii) the terms and conditions of the merger;

(iv) the manner and basis of converting the equity ownership interests of each party to the merger into partnership interests or debt obligations, or other ownership interests, of the surviving domestic or foreign partnership, or into cash or other property in whole or part;

(v) the address of the place of business where a copy of the plan of merger will be maintained by the surviving business entity; and

(vi) the effective date of the merger, which must be a date or time certain.

(2) may set forth other provisions relating to the merger;

(3) must be approved:
(i) in the case of all domestic general partnerships that are parties to the merger, by the affirmative vote of a majority of the general partners; a general partner who votes against the plan of merger is deemed to be a partner who has dissociated from the partnership in a manner that is not wrongful under Section 602;

(ii) in the case of any other domestic or foreign partnership that is a party to the merger, by the vote required for approval of a merger by the applicable statutory provisions of the state where the other domestic or foreign partnerships were formed or organized, and, in the absence of any specific applicable statute, by the unanimous vote of all the partners in each partnership that is a party to the merger.

(c) A copy of the plan of merger must be furnished to each partner and owner of an equity interest in each domestic or foreign partnership that is a party to the plan before the vote to approve the plan.

(d) Notwithstanding the partners' prior approval of a plan of merger, the plan may be terminated or amended at any time before the effective date of the merger, in accordance with a provision for termination or amendment contained in the plan.

(e) The merger is effective on the later of the following:
(1) the approval by the partners of each partnership that is a party to the merger, as provided in subsection (b)(3);

(2) the filing of all documents required by statute to be filed by or on behalf of each of the parties to the merger; or

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

(f) If the surviving partnership is a foreign partnership, that partnership is deemed to appoint irrevocably the Secretary of State of this State as its agent for service of process in any proceeding to enforce any obligation of any domestic partnership that is a party to the merger. The partnership shall specify the address to which a copy of any process served on the Secretary of State against any domestic partnership that is a party to the merger or against the surviving partnership shall be mailed.

(g) The surviving partnership shall promptly file or cause to be filed, in the appropriate filing office or offices, all notices and documents relating to the merger required to be filed by all applicable statutes governing the domestic and foreign partnerships that are parties to the merger, including amendments to or cancellation of a partnership's statement of partnership authority,
certificate of limited partnership, or articles of merger.

(h) Upon the effective date of the merger,

(1) every other partnership that is a party to the merger, except the surviving partnership, ceases to exist;

(2) title to all real and other property and rights owned by each of the merged partnerships vests in the surviving partnership without further act or deed and without reversion or impairment;

(3) all liabilities of each merged partnership become the liabilities of the surviving partnership to the same extent as if the liabilities had been incurred by the surviving partnership;

(4) any proceeding pending against a partnership which is a party to the merger may be continued as if the merger did not occur or the surviving partnership may be substituted in the proceeding for a partnership whose existence ceased under paragraph (1); and

(5) a partnership that is not the surviving partnership in the merger is not required to wind up its business, satisfy its liabilities, and distribute its remaining assets, if any, under Article 8.
ARTICLE 10
MISCELLANEOUS PROVISIONS

Section 1001. Uniformity of Application and Construction.
Section 1002. Short Title.
Section 1003. Severability.
Section 1004. When Act Takes Effect.
Section 1005. When Legislation Repealed.
Section 1006. Application to Existing Relationships.

SECTION 1001. UNIFORMITY OF APPLICATION AND
CONSTRUCTION. This [Act] shall be applied and construed to
effectuate its general purpose to make uniform the law with
respect to the subject of this [Act] among states enacting
it.

SECTION 1002. SHORT TITLE. This [Act] may be cited as
the Uniform Partnership Act, 199-.

SECTION 1003. SEVERABILITY CLAUSE. If any provision of
this [Act] or its application to any person or circumstance
is held invalid, the invalidity does not affect other
provisions or applications of this [Act] which can be given
effect without the invalid provision or application, and to
this end the provisions of this [Act] are severable.

SECTION 1004. EFFECTIVE DATE. This [Act] take effects

SECTION 1005. REPEALS. The following acts and parts of
acts are repealed: [the Uniform Partnership Act as amended
and in effect immediately prior to the adoption of this
[Act]].
February 13, 1992

Distribution List

Next Meeting: March 13-14, 1992
Jenkens & Gilchrist
1445 Ross Avenue, Ste 3200
Dallas, TX 75202
Contact: Alan Kailer
Commencing on Friday at Noon and continuing on Saturday

Gentlemen and Ladies:

Our meeting in Denver was quite productive. The discussions focused primarily on the issues of major concern -- the fiduciary question and the breakup provisions. The discussion on the breakup provisions led to Lauris Rall's extensive comment letter enclosed herewith, which was issued in time for the Valentine's weekend meeting of the Drafting Committee. That session will be attended by Lauris, John Small, and Thurston Moore, and Tony van Westrum. Hopefully, a brief report will follow shortly.

Regarding the fiduciary question, Gerry Niesar and Marty Lubaroff are preparing a draft comment letter which will be more extensive and supported by numerous authorities. Since that discussion will not occur at the Valentine's weekend Drafting Committee meeting, we propose to have a draft of that letter available for discussion at our March meeting in Dallas.

We also spent time reviewing some tentative draft merger and reorganization provisions that were supplied by Harry Haynsworth. A letter to Harry summarizing the discussions and comments from our Subcommittee is enclosed.

We had some revised sections distributed at the Denver meeting which the reporters had prepared, which we understood would be superseded by a late January draft of the entire Act. So far, I have not received the revised draft, but hopefully we will have one next week and be able to distribute that to everybody well in advance of our March meeting.
The Drafting Committee still is of the belief that it will submit the final product to the entire NCCUSL this August and we are supporting that effort. To that end, John Small was successful in convincing the Section counsel to allocate $7,000 to fund another weekend meeting of the Drafting Committee. In view of the significant problems remaining in the Act, not the least of which is the tremendous effort that must be devoted to making the language more precise, internally consistent and entirely coherent, I think cooler heads believe that the Act will be far from ready for serious presentation in August. Of course, we have yet to see the magic that may be wrought by the "style" committee, which appears to be prepared to spend a whole weekend on this effort in the near future.

For longer term planning purposes, we hope to have a meeting at the Orlando Spring meeting, but the timing of that meeting is very much in the air. Morris Macey has scheduled a full day meeting of the Ad-Hoc Committee on partnership bankruptcy issues for Saturday, April 11. Thus, unless we were prepared to stay over on Sunday, invade the major activities on Thursday or Friday, or arrive a full day early, it is unlikely that we will have a significant block of time for our group. Because of the tremendous importance of the Ad Hoc Committee work as it relates to issues of liability, etc., I believe it is of critical importance that Marty and I, John and perhaps one or two others participate in the session on the 11th.

Finally, I am enclosing a response form which you should either mail or fax back to me as soon as possible so that we can appropriately plan for the March meeting in Dallas. Since we are now down to the critically important issues where we have significant policy problems, heavy attendance at the March meeting is especially desirable and I hope you will bend your calendars in any way necessary to be able to be there. We have asked Alan Kailer if he would invite Alan Bromberg to sit in for at least part of our session. I hope that this special added incentive will encourage especially high attendance at the Dallas meeting. Thanks again for your support.

Very truly yours,

McKENNA & FITTING

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ARTICLE 9

REORGANIZATIONS

Section 901. Conversion of Partnership to Limited Partnership.

Section 902. Conversion of Limited Partnership to General Partnership.

Section 903. Effect of Conversion; Entity Unchanged.

Section 904. Merger of Partnerships.

SECTION 901. CONVERSION OF PARTNERSHIP TO LIMITED PARTNERSHIP.

(a) A partnership formed under the provisions of this [Act] or any predecessor partnership act may convert to a limited partnership as provided in this section.

(b) The terms and conditions of a conversion of a partnership to a limited partnership must be approved by the unanimous vote of all the partners or any lesser vote specified for conversion in the partnership agreement. To convert, a partnership must:

(1) file a certificate of limited partnership that meets the requirements of [Section 201 of the Revised Uniform Limited Partnership Act] and includes:

(i) a statement that the partnership was converted to a limited partnership from a general partnership and its former name; and

(ii) a statement of the number of votes cast by the partners for and against the conversion and, if less than unanimous, the percentage of votes that was required
to approve the conversion under the partnership agreement;

and

(2) amend its partnership agreement to reflect the change in status of the partnership and any of the partners.

The conversion takes effect when the certificate of limited partnership is filed at any later date specified in the certificate.

A partner who becomes a limited partner as a result of the conversion remains liable as a general partner for an obligation incurred by the partnership before the conversion takes effect, and, if the other party to the transaction reasonably believes when entering the transaction that the limited partner is a general partner, the partner is liable for an obligation incurred by the partnership within 90 days after the conversion takes effect. The partner's liability for all other obligations of the partnership incurred after the conversion takes effect is that of a limited partner as provided in the [State] Limited Partnership Act.

SECTION 902. CONVERSION OF LIMITED PARTNERSHIP TO GENERAL PARTNERSHIP.

(a) A limited partnership formed under the provisions of the [State] Limited Partnership Act, or any predecessor limited partnership act, may convert to a general partnership as provided in this section.
(b) Notwithstanding a provision to the contrary in a limited partnership agreement, the terms and conditions of a conversion of a limited partnership to a general partnership must be approved by the unanimous vote of all the partners. To convert, the limited partnership must:

1. cancel its certificate of limited partnership pursuant to Section [203 of the Revised Uniform Limited Partnership Act]; and

2. amend its partnership agreement to reflect the change in its status and name.

The conversion takes effect when the certificate of limited partnership is canceled.

A limited partner who becomes a general partner as a result of the conversion remains liable only as a limited partner for an obligation incurred by the partnership before the conversion takes effect. The partner is liable as a general partner as provided in this [Act], for an obligation of the partnership incurred after the conversion takes effect.

SECTION 903. EFFECT OF CONVERSION; ENTITY UNCHANGED.

(a) A partnership that has converted pursuant to this article is for all legal purposes the same entity that existed before the conversion.

(b) When a conversion takes effect:

1. title to all property owned by the converting partnership remains vested in the converted partnership
without further act or deed and without reversion or
impairment; and

(2) all liabilities of the converting partnership
continue as liabilities of the converted partnership.

SECTION 904. MERGER OF PARTNERSHIPS.

(a) Pursuant to a plan of merger approved
provided in subsection (c), partnerships may be merged as follows:
provided in this section:

(1) one or more partnerships formed under the
provisions of this [Act], or any predecessor partnership
act, may merge with one or more other partnerships formed
under the provisions of this [Act], or any predecessor
partnership act, or the partnership statute of another
state or foreign jurisdiction.

(2) one or more partnerships formed under the
provisions of this [Act], or any predecessor partnership
act, may merge with one or more limited partnerships formed
under the provisions of the [State] Limited Partnership
Act, or any predecessor limited partnership act, or the
limited partnership statute of another state or foreign
jurisdiction.

(b) The plan of merger must set forth:

(1) the name of each partnership that is a party
to the merger;

(2) the name of the surviving partnership into
which the other partnerships will merge;
(3) whether the surviving partnership is a
general or a limited partnership and the status of each
partner;

(4) the terms and conditions of the merger;

(5) the manner and basis of converting the
ownership interests of each party to the merger into
partnership interests or debt obligations, or other
ownership interests, of the surviving partnership, or into
cash or other property in whole or part; and

(6) the address of the surviving partnership's,
place of business where a copy of the plan of merger will
be maintained.

(c) The plan of merger must be approved:

(1) in the case of a domestic general partnership
that is a party to the merger, by the unanimous vote of all
the partners, or any lesser vote specified for merger in
the partnership agreement; or

(2) in the case of any other partnership that is
a party to the merger, by the vote required for approval of
a merger by the applicable statute of the state or foreign
jurisdiction where the other partnership is formed or
organized, and, in the absence of a specifically applicable
statute, by the unanimous vote of all the partners [or any
lesser vote specified for merger in the partnership
agreement?].
(d) After a plan of merger is approved by the partners, and at any time before the merger takes effect, the plan may be amended or abandoned as provided in the plan.

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

(1) the approval of the plan of merger by the partners of each party to the merger, as provided in subsection (c);

(2) the filing of all documents required by statute to be filed by each party to the merger; or

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

(f) The surviving partnership shall promptly file all notices and documents relating to the merger required by all applicable statutes governing the partnerships that are parties to the merger, including articles of merger or the amendment or cancellation of a statement of partnership authority or certificate of limited partnership.

(g) A surviving foreign partnership is deemed to appoint irrevocably the [Secretary of State] of this State as its agent for service of process in any proceeding to enforce an obligation of a domestic partnership that is a party to the merger. The partnership shall promptly notify the [Secretary of State] of its current mailing address.

(h) When a merger takes effect:
(1) every other partnership that is a party to the merger, except the surviving partnership, ceases to exist;

(2) title to all property owned by each of the merged partnerships vests in the surviving partnership without further act or deed and without reversion or impairment;

(3) all liabilities of every partnership that is a party to the merger become the liabilities of the surviving partnership to the same extent as if the liabilities had been incurred by the surviving partnership;

(4) any proceeding pending against a partnership that is a party to the merger may be continued as if the merger did not occur, or the surviving partnership may be substituted in the proceeding for a partnership whose existence ceased under paragraph (1); and

(5) a partnership that is not the surviving partnership in the merger is not required to wind up its business, satisfy its liabilities, and distribute any remaining assets under Article 8.