

CORPORATIONS, OTHER LIMITED LIABILITY ENTITIES AND PARTNERSHIPS

*Statutory and Documentary Supplement for
Hazen & Markham's
Corporations and Other Business Enterprises
Cases and Materials*

2015–2016 Edition

Thomas Lee Hazen
Jerry W. Markham

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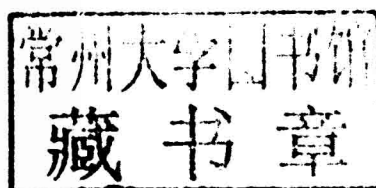
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PREFACE

This statutory supplement is designed for use in law school courses covering corporations, other limited liability entities, and partnerships. The supplement contains the Uniform Partnership Act, the Revised Uniform Partnership Act, and the Revised Uniform Limited Partnership Act. It also contains the Delaware Limited Liability Company Act, the Delaware Corporate law, and the Model Business Corporation Act. These acts are reproduced in their entirety. There are also selections from the federal securities laws that relate to subjects covered in a basic corporations course. In addition, we have added some sample corporate documents to provide a glimpse of articles of incorporation, bylaws, and corporate minutes. This supplement is current through March 2015.

Some instructors may want to supplement the material herein with state-specific laws or with additional SEC rules and forms. The SEC rules and forms are readily available on the official SEC website (www.sec.gov).

We hope you will find this compilation useful. We welcome any suggestions for future editions.

THOMAS LEE HAZEN
JERRY W. MARKHAM

April 2015

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UNIFORM PARTNERSHIP ACT (1914) ("UPA")

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Commissioners' Prefatory Note

The subject of a uniform law on partnership was taken up by the Conference of Commissioners on Uniform State Laws in 1902, and the Committee on Commercial Law was instructed to employ an expert and prepare a draft to be submitted to the next annual Conference. (See Am. Bar Assn. Report for 1902, p. 477.) At the meeting in 1903 the committee reported that it had secured the services of James Barr Ames, Dean of the Law School of Harvard University, as expert to draft the act. (See Am. Bar Assn. Report for 1903, p. 501.)

In 1905 the Committee on Commercial Law reported progress on this subject, and a resolution was passed by the Conference, directing that a draft be prepared upon the mercantile theory. (See Am. Bar Assn. Reports, 1905, pp. 731-738.) And in 1909 the committee reported that it had in its hands a draft of an act on this subject, which draft was recommitted to the committee for revision and amendment, with directions to report to the next Conference for discussion and action. (See Report, C.U.S.L., 1906, p. 40.)

In 1907 the matter was brought before the Conference and postponed until the 1908 meeting. (See Report, C.U.S.L., 1907, p. 93.) In 1908 the matter was discussed by the Conference. (See Am. Bar Assn. Reports, 1908, pp. 983, 1048.) And in 1909 the Second Tentative Draft of the Partnership Act was introduced and discussed. (See p. 1081 of Am. Bar Assn. Reports for 1909.)

In 1910 the committee reported that on account of the death of Dean Ames no progress had been made, but that Dr. Wm. Draper Lewis, then Dean and now Professor of Law at the Law School of the University of Pennsylvania, and Mr. James B. Lichtenberger, of the Philadelphia Bar, had prepared a draft of a partnership act on the so-called entity idea, with the aid of the various drafts and notes of Dean Ames, and that they had also submitted a draft of a proposed uniform act, embodying the theory that a partnership is an aggregate of individuals associated in business, which is that at present accepted in nearly all the states of the Union. (See Report, C.U.S.L., 1910, p. 142.) Dean Lewis expressed his belief that with certain modifications the aggregate or common law theory should be adopted. A resolution was passed by the Conference that any action that might have theretofore been adopted by it, tending to limit the Committee on Commercial Law in its consideration of the partnership law to what is known as the entity theory, be rescinded and that the committee be allowed and directed to consider the subject of partnership at large as though no such resolution had been adopted by the Conference. (See p. 52.)

In the fall of 1910 the committee invited to a Conference, held in Philadelphia, all the teachers of, and writers on, partnerships, besides several other lawyers known to have made a special study of the subject. There was a large attendance. For two days the members of the committee and their guests discussed the theory on which the proposed act should be drawn. At the conclusion of the discussion the experts present recommended that the act be drawn on the aggregate or common law theory, with the modification that the partners be treated as owners of partnership property holding by a special tenancy which should be called tenancy in partnership. (See section 25 of the act recommended.) Accordingly, at the meeting of the Conference in the summer of 1911, the committee reported that, after hearing the discussion of experts, it had voted that Dean Lewis be requested to prepare a draft of a partnership act on the so-called common law theory. (See Report, C.U.S.L., 1911, p. 149.)

The committee reported another draft of the act to the Conference at its session in 1912, drawn on the aggregate or common law theory, with the modification referred to. At this session the

Conference spent several days in the discussion of the act, again referring it to the Committee on Commercial Law for their further consideration. (See Report, C.U.S.L., 1912, p. 67.)

The Committee on Commercial Law held a meeting in New York on March 29, 1913, and took up the draft of the act referred back to it by the Conference, and after careful consideration of the amendments suggested by the Conference, prepared their seventh draft, which was, at their annual session in the summer of 1913, submitted to the Conference. The Conference again spent several days in discussing the act and again referred it to the Committee on Commercial Law, this time mainly for protection in form.

The Committee on Commercial Law assembled in the City of New York, September 21, 1914, and had before them a new draft of the act, which had been carefully prepared by Dr. Wm. Draper Lewis with valuable suggestions submitted by Charles E. Shepard, Esq., one of the commissioners from the State of Washington, and others interested in the subject. The committee reported the Eighth Draft to the Conference which, on October 14, 1914, passed a resolution recommending the act for adoption to the legislatures of all the States.

Uniformity of the law of partnerships is constantly becoming more important, as the number of firms increases which not only carry on business in more than one state, but have among the members residents of different states.

It is however, proper here to emphasize the fact that there are other reasons, in addition to the advantages which will result from uniformity, for the adoption of the act now issued by the Commissioners. There is probably no other subject connected with our business law in which a greater number of instances can be found where, in matters of almost daily occurrence, the law is uncertain. This uncertainty is due, not only to conflict between the decisions of different states, but more to the general lack of consistency in legal theory. In several of the sections, but especially in those which relate to the rights of the partner and his separate creditors in partnership property, and to the rights of firm creditors where the personnel of the partnership has been changed without liquidation of partnership affairs, there exists an almost hopeless confusion of theory and practice, making the actual administration of the law difficult and often inequitable.

Another difficulty of the present partnership law is the scarcity of authority on matters of considerable importance in the daily conduct and in the winding up of partnership affairs. In any one state it is often impossible to find an authority on a matter of comparatively frequent occurrence, while not infrequently an exhaustive research of the reports of the decisions of all the states and the federal courts fails to reveal a single authority throwing light on the question. The existence of a statute stating in detail the rights of the partners inter se during the carrying on of the partnership business, and on the winding up of partnership affairs, will be a real practical advantage of moment to the business world. The notes which are printed in connection with this edition of the Act were prepared by Dr. Wm. Draper Lewis, the draftsman. They are designed to point out the few changes in the law which the adoption of the act will effect, and the many confusions and uncertainties which it will end.

WALTER GEORGE SMITH,

Chairman, Committee on Commercial Law.

PART I. PRELIMINARY PROVISIONS

§ 1. Name of Act

This act may be cited as Uniform Partnership Act.

§ 2. Definition of Terms

In this act, "Court" includes every court and judge having jurisdiction in the case.

"Business" includes every trade, occupation, or profession.

"Person" includes individuals, partnerships, corporations, and other associations.

"Bankrupt" includes bankrupt under the Federal Bankruptcy Act [11 U.S.C.A. § 1 et seq.] or insolvent under any state insolvent act.

"Conveyance" includes every assignment, lease, mortgage, or encumbrance.

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“Real property” includes land and any interest or estate in land.

§ 3. Interpretation of Knowledge and Notice

(1) A person has “knowledge” of a fact within the meaning of this act not only when he has actual knowledge thereof, but also when he has knowledge of such other facts as in the circumstances shows bad faith.

(2) A person has “notice” of a fact within the meaning of this act when the person who claims the benefit of the notice:

- (a) States the fact to such person, or
- (b) Delivers through the mail, or by other means of communication, a written statement of the fact to such person or to a proper person at his place of business or residence.

§ 4. Rules of Construction

(1) The rule that statutes in derogation of the common law are to be strictly construed shall have no application to this act.

(2) The law of estoppel shall apply under this act.

(3) The law of agency shall apply under this act.

(4) This act shall be so interpreted and construed as to effect its general purpose to make uniform the law of those states which enact it.

(5) This act shall not be construed so as to impair the obligations of any contract existing when the act goes into effect, nor to affect any action or proceedings begun or right accrued before this act takes effect.

§ 5. Rules for Cases Not Provided for in This Act

In any case not provided for in this act the rules of law and equity, including the law merchant, shall govern.

PART II. NATURE OF PARTNERSHIP

§ 6. Partnership Defined

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

(2) But any association formed under any other statute of this state, or any statute adopted by authority, other than the authority of this state, is not a partnership under this act, unless such association would have been a partnership in this state prior to the adoption of this act; but this act shall apply to limited partnerships except in so far as the statutes relating to such partnerships are inconsistent herewith.

§ 7. Rules for Determining the Existence of a Partnership

In determining whether a partnership exists, these rules shall apply:

(1) Except as provided by section 16 persons who are not partners as to each other are not partners as to third persons.

(2) Joint tenancy, tenancy in common, tenancy by the entireties, joint property, common property, or part ownership does not of itself establish a partnership, whether such co-owners do or do not share any profits made by the use of the property.

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

(4) The receipt by a person of a share of the profits of a business is prima facie evidence that he is a partner in the business, but no such inference shall be drawn if such profits were received in payment:

- (a) As a debt by installments or otherwise,
- (b) As wages of an employee or rent to a landlord,
- (c) As an annuity to a widow or representative of a deceased partner,
- (d) As interest on a loan, though the amount of payment vary with the profits of the business,
- (e) As the consideration for the sale of a good-will of a business or other property by installments or otherwise.

§ 8. Partnership Property

- (1) All property originally brought into the partnership stock or subsequently acquired by purchase or otherwise, on account of the partnership, is partnership property.
- (2) Unless the contrary intention appears, property acquired with partnership funds is partnership property.
- (3) Any estate in real property may be acquired in the partnership name. Title so acquired can be conveyed only in the partnership name.
- (4) A conveyance to a partnership in the partnership name, though without words of inheritance, passes the entire estate of the grantor unless a contrary intent appears.

PART III. RELATIONS OF PARTNERS TO PERSONS DEALING WITH THE PARTNERSHIP

§ 9. Partner Agent of Partnership as to Partnership Business

- (1) Every partner is an agent of the partnership for the purpose of its business, and the act of every partner, including the execution in the partnership name of any instrument, for apparently carrying on in the usual way the business of the partnership of which he is a member binds the partnership, unless the partner so acting has in fact no authority to act for the partnership in the particular matter, and the person with whom he is dealing has knowledge of the fact that he has no such authority.
- (2) An act of a partner which is not apparently for the carrying on of the business of the partnership in the usual way does not bind the partnership unless authorized by the other partners.
- (3) Unless authorized by the other partners or unless they have abandoned the business, one or more but less than all the partners have no authority to:
 - (a) Assign the partnership property in trust for creditors or on the assignee's promise to pay the debts of the partnership,
 - (b) Dispose of the good-will of the business,
 - (c) Do any other act which would make it impossible to carry on the ordinary business of a partnership,
 - (d) Confess a judgment,
 - (e) Submit a partnership claim or liability to arbitration or reference.
- (4) No act of a partner in contravention of a restriction on authority shall bind the partnership to persons having knowledge of the restriction.

§ 10. Conveyance of Real Property of the Partnership

- (1) Where title to real property is in the partnership name, any partner may convey title to such property by a conveyance executed in the partnership name; but the partnership may recover such property unless the partner's act binds the partnership under the provisions of paragraph (1) of

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section 9, or unless such property has been conveyed by the grantee or a person claiming through such grantee to a holder for value without knowledge that the partner, in making the conveyance, has exceeded his authority.

(2) Where title to real property is in the name of the partnership, a conveyance executed by a partner, in his own name, passes the equitable interest of the partnership, provided the act is one within the authority of the partner under the provisions of paragraph (1) of section 9.

(3) Where title to real property is in the name of one or more but not all the partners, and the record does not disclose the right of the partnership, the partners in whose name the title stands may convey title to such property, but the partnership may recover such property if the partners' act does not bind the partnership under the provisions of paragraph (1) of section 9, unless the purchaser or his assignee, is a holder for value, without knowledge.

(4) Where the title to real property is in the name of one or more or all the partners, or in a third person in trust for the partnership, a conveyance executed by a partner in the partnership name, or in his own name, passes the equitable interest of the partnership, provided the act is one within the authority of the partner under the provisions of paragraph (1) of section 9.

(5) Where the title to real property is in the names of all the partners a conveyance executed by all the partners passes all their rights in such property.

§ 11. Partnership Bound by Admission of Partner

An admission or representation made by any partner concerning partnership affairs within the scope of his authority as conferred by this act is evidence against the partnership.

§ 12. Partnership Charged With Knowledge of or Notice to Partner

Notice to any partner of any matter relating to partnership affairs, and the knowledge of the partner acting in the particular matter, acquired while a partner or then present to his mind, and the knowledge of any other partner who reasonably could and should have communicated it to the acting partner, operate as notice to or knowledge of the partnership, except in the case of a fraud on the partnership committed by or with the consent of that partner.

§ 13. Partnership Bound by Partner's Wrongful Act

Where, by any wrongful act or omission of any partner acting in the ordinary course of the business of the partnership or with the authority of his co-partners, loss or injury is caused to any person, not being a partner in the partnership, or any penalty is incurred, the partnership is liable therefor to the same extent as the partner so acting or omitting to act.

§ 14. Partnership Bound by Partner's Breach of Trust

The partnership is bound to make good the loss:

(a) Where one partner acting within the scope of his apparent authority receives money or property of a third person and misapplies it; and

(b) Where the partnership in the course of its business receives money or property of a third person and the money or property so received is misapplied by any partner while it is in the custody of the partnership.

§ 15. Nature of Partner's Liability

All partners are liable

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

(b) Jointly for all other debts and obligations of the partnership; but any partner may enter into a separate obligation to perform a partnership contract.

§ 16. Partner by Estoppel

(1) When a person, by words spoken or written or by conduct, represents himself, or consents to another representing him to any one, as a partner in an existing partnership or with one or more persons not actual partners, he is liable to any such person to whom such representation has been made, who has, on the faith of such representation, given credit to the actual or apparent partnership, and if he has made such representation or consented to its being made in a public manner he is liable to such person, whether the representation has or has not been made or communicated to such person so giving credit by or with the knowledge of the apparent partner making the representation or consenting to its being made.

(a) When a partnership liability results, he is liable as though he were an actual member of the partnership.

(b) When no partnership liability results, he is liable jointly with the other persons, if any, so consenting to the contract or representation as to incur liability, otherwise separately.

(2) When a person has been thus represented to be a partner in an existing partnership, or with one or more persons not actual partners, he is an agent of the persons consenting to such representation to bind them to the same extent and in the same manner as though he were a partner in fact, with respect to persons who rely upon the representation. Where all the members of the existing partnership consent to the representation, a partnership act or obligation results; but in all other cases it is the joint act or obligation of the person acting and the persons consenting to the representation.

§ 17. Liability of Incoming Partner

A person admitted as a partner into an existing partnership is liable for all the obligations of the partnership arising before his admission as though he had been a partner when such obligations were incurred, except that this liability shall be satisfied only out of partnership property.

PART IV. RELATIONS OF PARTNERS TO ONE ANOTHER**§ 18. Rules Determining Rights and Duties of Partners**

The rights and duties of the partners in relation to the partnership shall be determined, subject to any agreement between them, by the following rules:

(a) Each partner shall be repaid his contributions, whether by way of capital or advances to the partnership property and share equally in the profits and surplus remaining after all liabilities, including those to partners, are satisfied; and must contribute towards the losses, whether of capital or otherwise, sustained by the partnership according to his share in the profits.

(b) The partnership must indemnify every partner in respect of payments made and personal liabilities reasonably incurred by him in the ordinary and proper conduct of its business, or for the preservation of its business or property.

(c) A partner, who in aid of the partnership makes any payment or advance beyond the amount of capital which he agreed to contribute, shall be paid interest from the date of the payment or advance.

(d) A partner shall receive interest on the capital contributed by him only from the date when repayment should be made.

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

(f) No partner is entitled to remuneration for acting in the partnership business, except that a surviving partner is entitled to reasonable compensation for his services in winding up the partnership affairs.

(g) No person can become a member of a partnership without the consent of all the partners.

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(h) Any difference arising as to ordinary matters connected with the partnership business may be decided by a majority of the partners; but no act in contravention of any agreement between the partners may be done rightfully without the consent of all the partners.

§ 19. Partnership Books

The partnership books shall be kept, subject to any agreement between the partners, at the principal place of business of the partnership, and every partner shall at all times have access to and may inspect and copy any of them.

§ 20. Duty of Partners to Render Information

Partners shall render on demand true and full information of all things affecting the partnership to any partner or the legal representative of any deceased partner or partner under legal disability.

§ 21. Partner Accountable as a Fiduciary

(1) Every partner must account to the partnership for any benefit, and hold as trustee for it any profits derived by him without the consent of the other partners from any transaction connected with the formation, conduct, or liquidation of the partnership or from any use by him of its property.

(2) This section applies also to the representatives of a deceased partner engaged in the liquidation of the affairs of the partnership as the personal representatives of the last surviving partner.

§ 22. Right to an Account

Any partner shall have the right to a formal account as to partnership affairs:

- (a) If he is wrongfully excluded from the partnership business or possession of its property by his co-partners,
- (b) If the right exists under the terms of any agreement,
- (c) As provided by section 21,
- (d) Whenever other circumstances render it just and reasonable.

§ 23. Continuation of Partnership Beyond Fixed Term

(1) When a partnership for a fixed term or particular undertaking is continued after the termination of such term or particular undertaking without any express agreement, the rights and duties of the partners remain the same as they were at such termination, so far as is consistent with a partnership at will.

(2) A continuation of the business by the partners or such of them as habitually acted therein during the term, without any settlement or liquidation of the partnership affairs, is prima facie evidence of a continuation of the partnership.

PART V. PROPERTY RIGHTS OF A PARTNER

§ 24. Extent of Property Rights of a Partner

The property rights of a partner are (1) his rights in specific partnership property, (2) his interest in the partnership, and (3) his right to participate in the management.

§ 25. Nature of a Partner's Right in Specific Partnership Property

(1) A partner is co-owner with his partners of specific partnership property holding as a tenant in partnership.

(2) The incidents of this tenancy are such that:

(a) A partner, subject to the provisions of this act and to any agreement between the partners, has an equal right with his partners to possess specific partnership property for

partnership purposes; but he has no right to possess such property for any other purpose without the consent of his partners.

(b) A partner's right in specific partnership property is not assignable except in connection with the assignment of rights of all the partners in the same property.

(c) A partner's right in specific partnership property is not subject to attachment or execution, except on a claim against the partnership. When partnership property is attached for a partnership debt the partners, or any of them, or the representatives of a deceased partner, cannot claim any right under the homestead or exemption laws.

(d) On the death of a partner his right in specific partnership property vests in the surviving partner or partners, except where the deceased was the last surviving partner, when his right in such property vests in his legal representative. Such surviving partner or partners, or the legal representative of the last surviving partner, has no right to possess the partnership property for any but a partnership purpose.

(e) A partner's right in specific partnership property is not subject to dower, curtesy, or allowances to widows, heirs, or next of kin.

§ 26. Nature of Partner's Interest in the Partnership

A partner's interest in the partnership is his share of the profits and surplus, and the same is personal property.

§ 27. Assignment of Partner's Interest

(1) A conveyance by a partner of his interest in the partnership does not of itself dissolve the partnership, nor, as against the other partners in the absence of agreement, entitle the assignee, during the continuance of the partnership, to interfere in the management or administration of the partnership business or affairs, or to require any information or account of partnership transactions, or to inspect the partnership books; but it merely entitles the assignee to receive in accordance with his contract the profits to which the assigning partner would otherwise be entitled.

(2) In case of a dissolution of the partnership, the assignee is entitled to receive his assignor's interest and may require an account from the date only of the last account agreed to by all the partners.

§ 28. Partner's Interest Subject to Charging Order

(1) On due application to a competent court by any judgment creditor of a partner, the court which entered the judgment, order, or decree, or any other court, may charge the interest of the debtor partner with payment of the unsatisfied amount of such judgment debt with interest thereon; and may then or later appoint a receiver of his share of the profits, and of any other money due or to fall due to him in respect of the partnership, and make all other orders, directions, accounts and inquiries which the debtor partner might have made, or which the circumstances of the case may require.

(2) The interest charged may be redeemed at any time before foreclosure, or in case of a sale being directed by the court may be purchased without thereby causing a dissolution:

(a) With separate property, by any one or more of the partners, or

(b) With partnership property, by any one or more of the partners with the consent of all the partners whose interests are not so charged or sold.

(3) Nothing in this act shall be held to deprive a partner of his right, if any, under the exemption laws, as regards his interest in the partnership.

PART VI. DISSOLUTION AND WINDING UP

§ 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.

§ 30. Partnership Not Terminated by Dissolution

On dissolution the partnership is not terminated, but continues until the winding up of partnership affairs is completed.

§ 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 a 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.

§ 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 affect 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 27 or 28:

(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.

§ 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.

§ 34. Right of Partner to Contribution From Co-partners After Dissolution

Where the dissolution is caused by the act, death or bankruptcy of a partner, each partner is liable to his co-partners for his share of any liability created by any partner acting for the partnership as if the partnership had not been dissolved unless

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

§ 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 one) 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.