
SUBSTITUTE SENATE BILL 5374

State of Washington

54th Legislature

1995 Regular Session

By Senate Committee on Law & Justice (originally sponsored by Senators Smith and Roach)

Read first time 02/16/95.

1 AN ACT Relating to registered limited liability partnerships; and
2 adding a new chapter to Title 25 RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** This chapter may be cited as the registered
5 limited liability partnership act.

6 NEW SECTION. **Sec. 2.** Unless the context clearly requires
7 otherwise, the definitions in the section apply through this chapter:

8 (1) "Court" means every court and judge having jurisdiction in the
9 case;

10 (2) "Business" means every trade, occupation, or profession;

11 (3) "Person" means individuals, trustees and personal
12 representatives, partnerships, corporations, and other associations;

13 (4) "Bankrupt" means bankrupt under the federal bankruptcy act or
14 insolvent under any state insolvent act;

15 (5) "Conveyance" means every assignment, lease, mortgage, or
16 encumbrance;

17 (6) "Real property" means land and any interest or estate in land;

1 (7) "Registered limited liability partnership" or "partnership"
2 means a partnership formed pursuant to an agreement governed by the
3 laws of this state, registered under section 44 of this act and
4 complying with section 45 of this act.

5 NEW SECTION. **Sec. 3.** (1) A person has knowledge of a fact within
6 the meaning of this chapter not only when he or she has actual
7 knowledge thereof, but also when he or she has knowledge of such other
8 facts as in the circumstances shows bad faith.

9 (2) A person has notice of a fact within the meaning of this
10 chapter when the person who claims the benefit of the notice:

11 (a) States the fact to such person; or

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

15 NEW SECTION. **Sec. 4.** (1) The rule that statutes in derogation of
16 the common law are to be strictly construed shall have no application
17 to this chapter.

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

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

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

24 NEW SECTION. **Sec. 5.** In any case not provided for in this chapter
25 the rules of law and equity, including the law merchant, shall govern.

26 NEW SECTION. **Sec. 6.** (1) A partnership is an association of two
27 or more persons to carry on as co-owners a business for profit and
28 includes, for all purposes of the laws of this state, a registered
29 limited liability partnership.

30 (2) Any association formed under any other statute of this state,
31 or a statute adopted by any authority, other than the authority of this
32 state, is not a partnership under this chapter, unless such association
33 would have been a partnership in this state prior to the adoption of
34 this chapter.

1 (3) This chapter shall apply to limited partnerships except insofar
2 as the statutes relating to such partnerships are inconsistent
3 herewith.

4 NEW SECTION. Sec. 7. In determining whether a partnership exists,
5 these rules shall apply:

6 (1) Except as provided by section 16 of this act persons who are
7 not partners as to each other, are not partners as to third persons.

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

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

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

20 (a) As a debt by installments or otherwise;

21 (b) As wages of an employee or rent to a landlord;

22 (c) As an annuity to a surviving spouse or representative of a
23 deceased partner;

24 (d) As interest on a loan, though the amount of payment vary with
25 the profits of the business;

26 (e) As the consideration for the sale of a good will of a business
27 or other property by installments or otherwise.

28 NEW SECTION. Sec. 8. (1) All property originally brought into the
29 partnership stock or subsequently acquired by purchase or otherwise, on
30 account of the partnership, is partnership property.

31 (2) Unless the contrary intention appears, property acquired with
32 partnership funds is partnership property.

33 (3) Any estate in real property may be acquired in the partnership
34 name. Title so acquired can be conveyed only in the partnership name.

35 (4) A conveyance to a partnership in the partnership name, though
36 without words of inheritance, passes the entire estate of the grantor
37 unless a contrary intent appears.

1 NEW SECTION. **Sec. 9.** (1) Every partner is an agent of the
2 partnership for the purpose of its business, and the act of every
3 partner, including the execution in the partnership name of any
4 instrument, for apparently carrying on in the usual way the business of
5 the partnership of which he or she is a member binds the partnership,
6 unless the partner so acting has in fact no authority to act for the
7 partnership in the particular matter, and the person with whom he or
8 she is dealing has knowledge of the fact that he or she has no such
9 authority.

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

13 (3) Unless authorized by the other partners or unless they have
14 abandoned the business, one or more but less than all partners have no
15 authority to:

16 (a) Assign the partnership property in trust for creditors or on
17 the assignee's promise to pay the debts of the partnership;

18 (b) Dispose of the good will of the business;

19 (c) Do any other act which would make it impossible to carry on the
20 ordinary business of a partnership;

21 (d) Confess a judgment;

22 (e) Submit a partnership claim or liability to arbitration or
23 reference.

24 (4) No act of a partner in contravention of a restriction on
25 authority shall bind the partnership to persons having knowledge of the
26 restriction.

27 NEW SECTION. **Sec. 10.** (1) Where title to real property is in the
28 partnership name, any partner may convey title to such property by a
29 conveyance executed in the partnership name; but the partnership may
30 recover such property unless the partner's act binds the partnership
31 under the provisions of section 9(1) of this act, or unless such
32 property has been conveyed by the grantee or a person claiming through
33 such grantee to a holder for value without knowledge that the partner,
34 in making the conveyance, has exceeded his or her authority.

35 (2) Where title to real property is in the name of the partnership,
36 a conveyance executed by a partner, in his or her own name, passes the
37 equitable interest of the partnership, provided the act is one within

1 the authority of the partner under the provisions of section 9(1) of
2 this act.

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

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

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

19 NEW SECTION. **Sec. 11.** An admission or representation made by any
20 partner concerning partnership affairs within the scope of his or her
21 authority as conferred by this chapter is evidence against the
22 partnership.

23 NEW SECTION. **Sec. 12.** Notice to any partner of any matter
24 relating to partnership affairs, and the knowledge of the partner
25 acting in the particular matter, acquired while a partner or then
26 present to his or her mind, and the knowledge of any other partner who
27 reasonably could and should have communicated it to the acting partner,
28 operate as notice to or knowledge of the partnership, except in the
29 case of a fraud on the partnership committed by or with the consent of
30 that partner.

31 NEW SECTION. **Sec. 13.** Where, by any wrongful act or omission of
32 any partner acting in the ordinary course of the business of the
33 partnership or with the authority of his or her copartners, loss or
34 injury is caused to any person, not being a partner in the partnership,
35 or any penalty is incurred, the partnership is liable therefor to the
36 same extent as the partner so acting or omitting to act.

1 NEW SECTION. **Sec. 14.** The partnership is bound to make good the
2 loss:

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

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

10 NEW SECTION. **Sec. 15.** (1) Except as provided in subsection (2) of
11 this section, all partners are liable:

12 (a) Jointly and severally for everything chargeable to the
13 partnership under sections 13 and 14 of this act; and

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

17 (c) Except that:

18 (i) In no event shall a trustee or personal representative, a
19 fiduciary, acting as a partner have personal liability except as
20 provided in RCW 11.98.110 (2) and (4);

21 (ii) Any such liability under this section shall be satisfied first
22 from the partnership assets and second from the trust or estate; and

23 (iii) If a fiduciary is liable, the fiduciary is entitled to
24 indemnification first from the partnership assets and second from the
25 trust or estate.

26 (2) Subject to subsection (3) of this section, a partner in a
27 registered limited liability partnership is not liable directly or
28 indirectly, including by way of indemnification, contribution,
29 assessment, or otherwise for debts, obligations, and liabilities of or
30 chargeable to the partnership, whether in tort, contract or otherwise,
31 arising from omissions, negligence, wrongful acts, misconduct, or
32 malpractice committed while the partnership is a registered limited
33 liability partnership and in the course of the partnership business by
34 another partner or an employee, agent, or representative of the
35 partnership.

36 (3) Subsection (2) of this section shall not affect the liability
37 of a partner in a registered limited liability partnership for his or
38 her own omissions, negligence, wrongful acts, misconduct, or

1 malpractice or that of any person under his or her direct supervision
2 and control.

3 (4) A partner in a registered limited liability partnership is not
4 a proper party to a proceeding by or against a registered limited
5 liability partnership, the object of which is to recover damages or
6 enforce the obligations arising out of the acts, omissions,
7 malpractice, or misconduct of the type described in subsection (2) of
8 this section, unless such partner is personally liable under subsection
9 (3) of this section.

10 NEW SECTION. **Sec. 16.** (1) When a person, by words spoken or
11 written or by conduct, represents himself or herself, or consents to
12 another representing him or her to any one, as a partner in an existing
13 partnership or with one or more persons not actual partners, he or she
14 is liable to any such person to whom such representation has been made,
15 who has, on the faith of such representation, given credit to the
16 actual or apparent partnership, and if he or she has made such
17 representation or consented to its being made in a public manner he or
18 she is liable to such person, whether the representation has or has not
19 been made or communicated to such person so giving credit by or with
20 the knowledge of the apparent partner making the representation or
21 consenting to its being made.

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

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

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

36 NEW SECTION. **Sec. 17.** A person admitted as a partner into an
37 existing partnership is liable for all the obligations of the

1 partnership arising before his or her admission as though he or she had
2 been a partner when such obligations were incurred, except that this
3 liability shall be satisfied only out of the partnership property.

4 NEW SECTION. **Sec. 18.** The rights and duties of the partners in
5 relation to the partnership shall be determined, subject to any
6 agreement between them, by the following rules:

7 (1) Each partner shall be repaid his or her contributions, whether
8 by way of capital or advances to the partnership property and share
9 equally in the profits and surplus remaining after all liabilities,
10 including those to partners, are satisfied; and except as provided in
11 section 15(2) of this act, each partner must contribute toward the
12 losses, whether of capital or otherwise, sustained by the partnership
13 according to his or her share in the profits.

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

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

22 (4) A partner shall receive interest on the capital contributed by
23 him or her only from the date when repayment should be made.

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

26 (6) No partner is entitled to remuneration for acting in the
27 partnership business, except that a surviving partner is entitled to
28 reasonable compensation for his or her services in winding up the
29 partnership affairs.

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

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

36 NEW SECTION. **Sec. 19.** The partnership books shall be kept,
37 subject to any agreement between the partners, at the principal place

1 of business of the partnership, and every partner shall at all times
2 have access to and may inspect and copy any of them.

3 NEW SECTION. **Sec. 20.** Partners shall render on demand true and
4 full information of all things affecting the partnership to any partner
5 or the legal representative of any deceased partner or partner under
6 legal disability.

7 NEW SECTION. **Sec. 21.** (1) Every partner must account to the
8 partnership for any benefit, and hold as trustee for it any profits
9 derived by him or her without the consent of the other partners from
10 any transaction connected with the formation, conduct, or liquidation
11 of the partnership or from any use by him or her of its property.

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

15 NEW SECTION. **Sec. 22.** Any partner shall have the right to a
16 formal account as to partnership affairs:

17 (1) If he or she is wrongfully excluded from the partnership
18 business or possession of its property by his or her copartners;

19 (2) If the right exists under the terms of any agreement;

20 (3) As provided by section 21 of this act;

21 (4) Whenever other circumstances render it just and reasonable.

22 NEW SECTION. **Sec. 23.** (1) When a partnership for a fixed term or
23 particular undertaking is continued after the termination of such term
24 or particular undertaking without any express agreement, the rights and
25 duties of the partners remain the same as they were at such
26 termination, so far as is consistent with a partnership at will.

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

31 NEW SECTION. **Sec. 24.** The property rights of a partner are: (1)
32 His or her rights in specific partnership property; (2) his or her
33 interest in the partnership; and (3) his or her right to participate in
34 the management.

1 NEW SECTION. **Sec. 25.** (1) A partner is co-owner with his or her
2 partners of specific partnership property holding as a tenant in
3 partnership.

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

5 (a) A partner, subject to the provisions of this chapter and to any
6 agreement between the partners, has an equal right with his or her
7 partners to possess specific partnership property for partnership
8 purposes; but he or she has no right to possess such property for any
9 other purpose without the consent of his or her partners.

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

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

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

26 (e) A partner's right in specific partnership property is not
27 subject to dower, curtesy, or allowances to a surviving spouse, heirs,
28 or next of kin.

29 NEW SECTION. **Sec. 26.** A partner's interest in the partnership is
30 his or her share of the profits and surplus, and the same is personal
31 property.

32 **Sec. 27.** RCW 25.04.270 and 1955 c 15 s 25.04.270 are each amended
33 to read as follows:

34 (1) A conveyance by a partner of his or her interest in the
35 partnership does not of itself dissolve the partnership, nor, as
36 against the other partners in the absence of agreement, entitle the
37 assignees, during the continuance of the partnership, to interfere in

1 the management or administration of the partnership business or
2 affairs, or to require any information or account of partnership
3 transactions, or to inspect the partnership books; but it merely
4 entitles the assignee to receive in accordance with his or her contract
5 the profits to which the assigning partner would otherwise be entitled.

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

10 NEW SECTION. **Sec. 28.** (1) On due application to a competent court
11 by any judgment creditor of a partner, the court which entered the
12 judgment, order, or decree, or any other court, may charge the interest
13 of the debtor partner with payment of the unsatisfied amount of such
14 judgment debt with interest thereon; and may then or later appoint a
15 receiver of his or her share of the profits, and of any other money due
16 or to fall due to him or her in respect of the partnership, and make
17 all other orders, directions, accounts and inquiries which the debtor
18 partner might have made, or which the circumstances of the case may
19 require.

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

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

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

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

30 NEW SECTION. **Sec. 29.** The dissolution of a partnership is the
31 change in the relation of the partners caused by any partner ceasing to
32 be associated in the carrying on as distinguished from winding up of
33 the business.

34 NEW SECTION. **Sec. 30.** On dissolution the partnership is not
35 terminated, but continues until the winding up of partnership affairs
36 is completed.

1 NEW SECTION. **Sec. 31.** Dissolution is caused:

2 (1) Without violation of the agreement between the partners;

3 (a) By the termination of the definite term or particular
4 undertaking specified in the agreement;

5 (b) By the express will of any partner when no definite term or
6 particular undertaking is specified;

7 (c) By the express will of all the partners who have not assigned
8 their interests or suffered them to be charged for their separate
9 debts, either before or after the termination of any specified term or
10 particular undertaking;

11 (d) By the expulsion of any partner from the business bona fide in
12 accordance with such a power conferred by the agreement between the
13 partners;

14 (2) In contravention of the agreement between the partners, where
15 the circumstances do not permit a dissolution under any other provision
16 of this section, by the express will of any partner at any time;

17 (3) By any event which makes it unlawful for the business of the
18 partnership to be carried on or for the members to carry it on in
19 partnership;

20 (4) By the death of any partner;

21 (5) By the bankruptcy of any partner of the partnership; or

22 (6) By decree of court under section 32 of this act.

23 NEW SECTION. **Sec. 32.** (1) On application by or for a partner the
24 court shall decree a dissolution whenever:

25 (a) A partner has been declared a lunatic in any judicial
26 proceeding or is shown to be of unsound mind;

27 (b) A partner becomes in any other way incapable of performing his
28 or her part of the partnership contract;

29 (c) A partner has been guilty of such conduct as tends to affect
30 prejudicially the carrying on of the business;

31 (d) A partner wilfully or persistently commits a breach of the
32 partnership agreement, or otherwise so conducts himself or herself in
33 matters relating to the partnership business that it is not reasonably
34 practicable to carry on the business in partnership with him or her;

35 (e) The business of the partnership can only be carried on at a
36 loss;

37 (f) Other circumstances render dissolution equitable.

1 (2) On the application of the purchaser of a partner's interest
2 under sections 27 and 28 of this act:

3 (a) After the termination of the specified term or particular
4 undertaking,

5 (b) At any time if the partnership was a partnership at will when
6 the interest was assigned or when the charging order was issued.

7 NEW SECTION. **Sec. 33.** Except so far as may be necessary to wind
8 up partnership affairs or to complete transactions begun but not then
9 finished, dissolution terminates all authority of any partner to act
10 for the partnership,

11 (1) With respect to the partners,

12 (a) When the dissolution is not by the act, bankruptcy or death of
13 a partner; or

14 (b) When the dissolution is by such act, bankruptcy or death of a
15 partner, in cases where section 34 of this act so requires.

16 (2) With respect to persons not partners, as declared in section 35
17 of this act.

18 NEW SECTION. **Sec. 34.** Where the dissolution is caused by the act,
19 death or bankruptcy of a partner, each partner is liable to his or her
20 copartners for his or her share of any liability created by any partner
21 acting for the partnership as if the partnership had not been dissolved
22 unless:

23 (1) The dissolution being by act of any partner, the partner acting
24 for the partnership had knowledge of the dissolution; or

25 (2) The dissolution being by the death or bankruptcy of a partner,
26 the partner acting for the partnership had knowledge or notice of the
27 death or bankruptcy; or

28 (3) The liability is for a debt, obligation, or liability for which
29 the partner is not liable as provided in section 15(2) of this act.

30 NEW SECTION. **Sec. 35.** (1) After dissolution a partner can bind
31 the partnership except as provided in subsection (3) of this section:

32 (a) By any act appropriate for winding up partnership affairs or
33 completing transactions unfinished at dissolution;

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

1 (i) Had extended credit to the partnership prior to dissolution and
2 had no knowledge or notice of the dissolution; or

3 (ii) Though he or she had not so extended credit, had nevertheless
4 known of the partnership prior to dissolution, and, having no knowledge
5 or notice of dissolution, the fact of dissolution had not been
6 advertised in a newspaper of general circulation in the place, or in
7 each place if more than one, at which the partnership business was
8 regularly carried on.

9 (2) The liability of a partner under subsection (1)(b) of this
10 section shall be satisfied out of partnership assets alone when such
11 partner had been prior to dissolution:

12 (a) Unknown as a partner to the person with whom the contract is
13 made; and

14 (b) So far unknown and inactive in partnership affairs that the
15 business reputation of the partnership could not be said to have been
16 in any degree due to his or her connection with it.

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

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

22 (b) Where the partner has become bankrupt; or

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

25 (i) Had extended credit to the partnership prior to dissolution and
26 had no knowledge or notice of his or her want of authority; or

27 (ii) Had not extended credit to the partnership prior to
28 dissolution, and, having no knowledge or notice of his or her want of
29 authority, the fact of his or her want of authority has not been
30 advertised in the manner provided for advertising the fact of
31 dissolution in subsection (1)(b)(ii) of this section.

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

36 NEW SECTION. **Sec. 36.** (1) The dissolution of the partnership does
37 not of itself discharge the existing liability of any partner.

1 (2) A partner is discharged from any existing liability upon
2 dissolution of the partnership by an agreement to that effect between
3 himself or herself, the partnership creditor and the person or
4 partnership continuing the business; and such agreement may be inferred
5 from the course of dealing between the creditor having knowledge of the
6 dissolution and the person or partnership continuing the business.

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

12 (4) The individual property of a deceased partner shall be liable
13 for those obligations of the partnership incurred while he or she was
14 a partner and for which he or she was liable under section 15 of this
15 act, but subject to the prior payment of his or her separate debts.

16 NEW SECTION. **Sec. 37.** Unless otherwise agreed, the partners who
17 have not wrongfully dissolved the partnership or the legal
18 representative of the last surviving partner, not bankrupt, have the
19 right to wind up the partnership affairs: PROVIDED, HOWEVER, That any
20 partner, his or her legal representative, or his or her assignee, upon
21 cause shown, may obtain winding up by the court.

22 NEW SECTION. **Sec. 38.** (1) When dissolution is caused in any way,
23 except in contravention of the partnership agreement, each partner, as
24 against his or her copartners and all persons claiming through them in
25 respect of their interests in the partnership, unless otherwise agreed,
26 may have the partnership property applied to discharge its liabilities,
27 and the surplus applied to pay in cash the net amount owing to the
28 respective partners. But if dissolution is caused by expulsion of a
29 partner, bona fide under the partnership agreement and if the expelled
30 partner is discharged from all partnership liabilities, either by
31 payment or agreement under section 36(2) of this act, he or she shall
32 receive in cash only the net amount due him or her from the
33 partnership.

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

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

1 (i) All the rights specified in subsection (1) of this section; and
2 (ii) The right, as against each partner who has caused the
3 dissolution wrongfully, to damages for breach of the agreement.

4 (b) The partners who have not caused the dissolution wrongfully, if
5 they all desire to continue the business in the same name, either by
6 themselves or jointly with others, may do so, during the agreed term
7 for the partnership and for that purpose may possess the partnership
8 property provided they secure the payment by bond approved by the
9 court, or pay to any partner who has caused the dissolution wrongfully,
10 the value of his or her interest in the partnership at the dissolution,
11 less any damages recoverable under (a)(ii) of this subsection, and in
12 like manner indemnify him or her against all present or future
13 partnership liabilities.

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

15 (i) If the business is not continued under the provisions of (b) of
16 this subsection all the rights of a partner under subsection (1) of
17 this section, subject to (a)(ii) of this subsection;

18 (ii) If the business is continued under (b) of this subsection the
19 right as against his or her copartners and all claiming through them in
20 respect of their interests in the partnership, to have the value of his
21 or her interests in the partnership, less any damages caused to his or
22 her copartners by the dissolution, ascertained and paid to him or her
23 in cash, or the payment secured by bond approved by the court, and to
24 be released from all existing liabilities of the partnership; but in
25 ascertaining the value of the partner's interest the value of the good
26 will of the business shall not be considered.

27 NEW SECTION. **Sec. 39.** Where a partnership contract is rescinded
28 on the ground of the fraud or misrepresentation of one of the parties
29 thereto, the party entitled to rescind is, without prejudice to any
30 other right, entitled,

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

36 (2) To stand, after all liabilities to third persons have been
37 satisfied, in the place of the creditors of the partnership for any

1 payments made by him or her in respect of the partnership liabilities;
2 and

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

6 NEW SECTION. **Sec. 40.** In settling accounts between the partners
7 after dissolution, the following rules shall be observed, subject to
8 any agreement to the contrary:

9 (1) The assets of the partnership are:

10 (a) The partnership property;

11 (b) The contributions of the partners specified in subsection (4)
12 of this section.

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

15 (a) Those owing to creditors other than partners;

16 (b) Those owing to partners other than for capital and profits;

17 (c) Those owing to partners in respect of capital;

18 (d) Those owing to partners in respect of profits.

19 (3) The assets shall be applied in the order of their declaration
20 in subdivision (1) of this section to the satisfaction of the
21 liabilities.

22 (4) Except as provided in section 15(2)(a) of this act, the
23 partners shall contribute, as provided by section 18(1) of this act the
24 amount necessary to satisfy the liabilities; and (b) if any, but not
25 all, of the partners are insolvent, or, not being subject to process,
26 refuse to contribute, the other partners shall contribute their share
27 of the liabilities, and, in the relative proportions in which they
28 share the profits, the additional amount necessary to pay the
29 liabilities.

30 (5) An assignee for the benefit of creditors or any person
31 appointed by the court shall have the right to enforce the contribution
32 specified in subdivision (4) of this section.

33 (6) Any partner or his or her legal representative shall have the
34 right to enforce the contributions specified in subdivision (4) of this
35 section, to the extent of the amount which he or she has paid in excess
36 of his or her share of the liability.

37 (7) The individual property of a deceased partner shall be liable
38 for the contributions specified in subdivision (4) of this section.

1 (8) When partnership property and the individual properties of the
2 partners are in possession of a court for distribution, partnership
3 creditors shall have priority on partnership property and separate
4 creditors on individual property, saving the rights of lien or secured
5 creditors as heretofore.

6 (9) Where a partner has become bankrupt or his or her estate is
7 insolvent the claims against his or her separate property shall rank in
8 the following order:

9 (a) Those owing to separate creditors;

10 (b) Those owing to partnership creditors;

11 (c) Those owing to partners by way of contribution.

12 NEW SECTION. **Sec. 41.** (1) When any new partner is admitted into
13 an existing partnership, or when any partner retires and assigns, or
14 the representative of the deceased partner assigns, his or her rights
15 in partnership property to two or more of the partners, or to one or
16 more of the partners and one or more third persons, if the business is
17 continued without liquidation of the partnership affairs, creditors of
18 the first or dissolved partnership are also creditors of the
19 partnership so continuing the business.

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

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

33 (4) When all the partners or their representatives assign their
34 rights in partnership property to one or more third persons who promise
35 to pay the debts and who continue the business of the dissolved
36 partnership, creditors of the dissolved partnership are also creditors
37 of the person or partnership continuing the business.

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

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

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

15 (8) When the business of a partnership after dissolution is
16 continued under any conditions set forth in this section the creditors
17 of the dissolved partnership, as against the separate creditors of the
18 retiring or deceased partner or the representative of the deceased
19 partner, have a prior right to any claim of the retired partner or the
20 representative of the deceased partner against the person or
21 partnership continuing the business, on account of the retired or
22 deceased partner's interest in the dissolved partnership or on account
23 of any consideration promised for such interest or for his or her right
24 in partnership property.

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

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

32 NEW SECTION. **Sec. 42.** When any partner retires or dies, and the
33 business is continued under any of the conditions set forth in section
34 41 (1), (2), (3), (5), (6), or 38(2)(b) of this act, without any
35 settlement of accounts as between the partner's estate and the person
36 or partnership continuing the business, unless otherwise agreed, the
37 partner's legal representative as against such persons or partnerships
38 may have the value of his or her interest at the date of dissolution

1 ascertained, and shall receive as an ordinary creditor an amount equal
2 to the value of his or her interest in the dissolved partnership with
3 interest, or, at his or her option or at the option of his or her legal
4 representative, in lieu of interest, the profits attributable to the
5 use of his or her right in the property of the dissolved partnership:
6 PROVIDED, That the creditors of the dissolved partnership as against
7 the separate creditors, or the representative of the retired or
8 deceased partner, shall have priority on any claim arising under this
9 section as provided by section 41(8) of this act.

10 NEW SECTION. **Sec. 43.** The right to an account of his or her
11 interest shall accrue to any partner, or his or her legal
12 representative, as against the winding up partners or the surviving
13 partners or the person or partnership continuing the business, at the
14 date of dissolution, in the absence of any agreement to the contrary.

15 NEW SECTION. **Sec. 44.** (1) To become and to continue as a
16 registered limited liability partnership, a partnership shall file with
17 the secretary of state an application stating the name of the
18 partnership; the address of its principal office; if the partnership's
19 principal office is not located in this state, the address of a
20 registered office and the name and address of a registered agent for
21 service of process in this state which the partnership will be required
22 to maintain; the number of partners; a brief statement of the business
23 in which the partnership engages; any other matters that the
24 partnership determines to include; and that the partnership thereby
25 applies for status as a registered limited liability partnership.

26 (2) The application shall be executed by a majority in interest of
27 the partners or by one or more partners authorized to execute an
28 application.

29 (3) The application shall be accompanied by a fee of one hundred
30 seventy-five dollars for each partnership.

31 (4) The secretary of state shall register as a registered limited
32 liability partnership any partnership that submits a completed
33 application with the required fee.

34 (5) A partnership registered under this section shall pay an annual
35 fee, in each year following the year in which its application is filed,
36 on a date and in an amount specified by the secretary of state. The
37 fee must be accompanied by a notice, on a form provided by the

1 secretary of state, of the number of partners currently in the
2 partnership and of any material changes in the information contained in
3 the partnership's application for registration.

4 (6) Registration is effective immediately after the date an
5 application is filed, and remains effective until: (a) It is
6 voluntarily withdrawn by filing with the secretary of state a written
7 withdrawal notice executed by a majority in interest of the partners or
8 by one or more partners authorized to execute a withdrawal notice; or
9 (b) thirty days after receipt by the partnership of a notice from the
10 secretary of state, which notice shall be sent by certified mail,
11 return receipt requested, that the partnership has failed to make
12 timely payment of the annual fee specified in subsection (5) of this
13 section, unless the fee is paid within such a thirty-day period.

14 (7) The status of a partnership as a registered limited liability
15 partnership, and the liability of the partners thereof, shall not be
16 affected by: (a) Errors in the information stated in an application
17 under subsection (1) of this section or a notice under subsection (5)
18 of this section; or (b) changes after the filing of such an application
19 or notice in the information stated in the application or notice.

20 (8) The secretary of state may provide forms for the application
21 under subsection (1) of this section or a notice under subsection (5)
22 of this section.

23 NEW SECTION. **Sec. 45.** The name of a registered limited liability
24 partnership shall contain the words "registered limited liability
25 partnership" or the abbreviation "L.L.P." or "LLP"; or "registered
26 limited liability partnership" or the abbreviation "L.L.P." or "LLP" as
27 the last words or letters of its name.

28 NEW SECTION. **Sec. 46.** (1) A partnership, including a registered
29 limited liability partnership, formed pursuant to an agreement and
30 governed by this chapter, may conduct its business, carry on its
31 operations, and have and exercise the powers granted by this chapter in
32 any state, territory, district, or possession of the United States or
33 in any foreign country.

34 (2) It is the intent of the legislature that the legal existence of
35 registered limited liability partnerships formed pursuant to an
36 agreement and governed by this chapter be recognized outside the
37 boundaries of this state and that the laws of this state governing such

1 registered limited liability partnerships transacting business outside
2 this state be granted the protection of full faith and credit under the
3 Constitution of the United States.

4 (3) The internal affairs of a partnership, including registered
5 limited liability partnerships, formed pursuant to an agreement and
6 governed by this chapter, including the liability of partners for
7 debts, obligations, and liabilities of or chargeable to the
8 partnership, shall be subject to and governed by the laws of this
9 state.

10 (4) Subject to any statutes for the regulation and control of
11 specific types of businesses, foreign registered limited liability
12 partnerships, existing pursuant to the laws of another jurisdiction,
13 may do business in this state and are not required to register with the
14 secretary of state under this chapter.

15 (5) It is the policy of this state that the internal affairs,
16 including the liability of partners for debts, obligations, and
17 liabilities of or chargeable to partnerships, of partnerships,
18 including foreign registered limited liability partnerships, shall be
19 subject to and governed by the laws of such other jurisdiction.
20 However, a foreign registered limited liability partnership is subject
21 to section 47 of this act if it renders professional services in this
22 state.

23 NEW SECTION. **Sec. 47.** If the registered limited liability
24 partnership fails to maintain for itself and for its members practicing
25 in this state a policy of professional liability insurance, bond, or
26 other evidence of financial responsibility of a kind designated by rule
27 by the state insurance commissioner and in the amount of at least one
28 million dollars in aggregate coverage for the policy year, then the
29 registered limited liability partnership's members shall be personally
30 liable to the extent that, had such insurance, bond, or other evidence
31 of responsibility been maintained, it would have covered the liability
32 in question.

33 NEW SECTION. **Sec. 48.** Sections 1 through 47 of this act
34 constitute a new chapter on Title 25 RCW.

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