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5 Strike everything after the enacting clause and insert the
6 following:

7 "NEW SECTION. **Sec. 1.** This subchapter applies to limited
8 liability partnerships. All other provisions of this chapter, not in
9 conflict with this subchapter, also apply.

10 NEW SECTION. **Sec. 2.** Unless the context clearly requires
11 otherwise, the definitions in this section apply throughout this
12 subchapter.

13 (1) "Limited liability partnership" or "partnership" means a
14 partnership formed pursuant to an agreement governed by the laws of
15 this state, registered under section 6 of this act.

16 (2) "Foreign limited liability partnership" means a limited
17 liability partnership formed pursuant to an agreement governed by the
18 laws of another jurisdiction.

19 NEW SECTION. **Sec. 3.** (1) To become and to continue as a limited
20 liability partnership, a partnership shall file with the secretary of
21 state an application stating the name of the partnership; the address
22 of its principal office; if the partnership's principal office is not
23 located in this state, the address of a registered office and the name
24 and address of a registered agent for service of process in this state
25 which the partnership will be required to maintain; the number of
26 partners; a brief statement of the business in which the partnership
27 engages; any other matters that the partnership determines to include;
28 and that the partnership thereby applies for status as a limited
29 liability partnership.

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

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

1 (4) The secretary of state shall register as a limited liability
2 partnership any partnership that submits a completed application with
3 the required fee.

4 (5) A partnership registered under this section shall pay an annual
5 fee, in each year following the year in which its application is filed,
6 on a date and in an amount specified by the secretary of state. The
7 fee must be accompanied by a notice, on a form provided by the
8 secretary of state, of the number of partners currently in the
9 partnership and of any material changes in the information contained in
10 the partnership's application for registration.

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

21 (7) The status of a partnership as a limited liability partnership,
22 and the liability of the partners thereof, shall not be affected by:
23 (a) Errors in the information stated in an application under subsection
24 (1) of this section or a notice under subsection (5) of this section;
25 or (b) changes after the filing of such an application or notice in the
26 information stated in the application or notice.

27 (8) The secretary of state may provide forms for the application
28 under subsection (1) of this section or a notice under subsection (5)
29 of this section.

30 NEW SECTION. **Sec. 4.** The name of a limited liability partnership
31 shall contain the words "limited liability partnership" or the
32 abbreviation "L.L.P." or "LLP" as the last words or letters of its
33 name.

34 NEW SECTION. **Sec. 5.** A person or group of persons licensed or
35 otherwise legally authorized to render professional services, as
36 defined in RCW 18.100.030, within this state may organize and become a
37 member or members of a limited liability partnership under the

1 provisions of this chapter for the purposes of rendering professional
2 service. Nothing in this section prohibits a person duly licensed or
3 otherwise legally authorized to render professional services in any
4 jurisdiction other than this state from becoming a member of a limited
5 liability partnership organized for the purpose of rendering the same
6 professional services. Nothing in this section prohibits a limited
7 liability partnership from rendering professional services outside this
8 state through individuals who are not duly licensed or otherwise
9 legally authorized to render such professional services within this
10 state.

11 NEW SECTION. **Sec. 6.** (1) A limited liability partnership formed
12 and existing under this chapter, may conduct its business, carry on its
13 operations, and have and exercise the powers granted by this chapter in
14 any state, territory, district, or possession of the United States or
15 in any foreign country.

16 (2) It is the intent of the legislature that the legal existence of
17 a limited liability partnership formed and existing under this chapter
18 be recognized outside the boundaries of this state and that the laws of
19 this state governing a limited liability partnership transacting
20 business outside this state be granted the protection of full faith and
21 credit under the Constitution of the United States.

22 (3) The internal affairs of a partnership, including a limited
23 liability partnership formed and existing under this chapter, including
24 the liability of partners for debts, obligations, and liabilities of or
25 chargeable to the partnership, shall be subject to and governed by the
26 laws of this state.

27 (4) Subject to any statutes for the regulation and control of
28 specific types of business, a foreign limited liability partnership,
29 formed and existing under the laws of another jurisdiction, may do
30 business in this state provided it registers with the secretary of
31 state under this chapter in the same manner as a limited liability
32 partnership.

33 (5) It is the policy of this state that the internal affairs of a
34 foreign limited liability partnership, including the liability of
35 partners for debts, obligations, and liabilities of or chargeable to
36 partnerships, shall be subject to and governed by the laws of such
37 other jurisdiction. However, a foreign limited liability partnership
38 formed and existing under the laws of another jurisdiction is subject

1 to section 7 of this act if it renders professional services, as
2 defined in RCW 18.100.030, in this state.

3 NEW SECTION. **Sec. 7.** (1) Except as provided in subsection (2) of
4 this section, all partners are liable:

5 (a) Jointly and severally for everything chargeable to the
6 partnership under RCW 25.04.130 and 25.04.140; and

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

10 (c) Except that:

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

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

16 (iii) If a fiduciary is liable, the fiduciary is entitled to
17 indemnification first from the partnership assets and second from the
18 trust or estate.

19 (2) Subject to subsections (3) and (5) of this section, a partner
20 in a limited liability partnership is not liable directly or
21 indirectly, including by way of indemnification, contribution,
22 assessment, or otherwise for debts, obligations, and liabilities of or
23 chargeable to the partnership, whether in tort, contract or otherwise,
24 arising from omissions, negligence, wrongful acts, misconduct, or
25 malpractice committed in the course of the partnership business by
26 another partner or an employee, agent, or representative of the
27 partnership.

28 (3) Subsection (2) of this section shall not affect the liability
29 of a partner in a limited liability partnership for his or her own
30 omissions, negligence, wrongful acts, misconduct, or malpractice or
31 that of any person under his or her direct supervision and control.

32 (4) A partner in a limited liability partnership is not a proper
33 party to a proceeding by or against a limited liability partnership,
34 the object of which is to recover damages or enforce the obligations
35 arising from omissions, negligence, wrongful acts, misconduct, or
36 malpractice described in subsection (2) of this section, unless such
37 partner is personally liable under subsection (3) of this section.

38 (5) If the partners of a limited liability partnership or foreign

1 limited liability partnership are required to be licensed to provide
2 professional services, as defined in RCW 18.100.030, and the
3 partnership fails to maintain for itself and for its members practicing
4 in this state a policy of professional liability insurance, bond,
5 deposit in trust, bank escrow of cash, bank certificates of deposit,
6 United States Treasury obligations, bank letter of credit, insurance
7 company bond, or other evidence of financial responsibility of a kind
8 designated by rule by the state insurance commissioner and in the
9 amount of at least one million dollars or such greater amount, not to
10 exceed three million dollars, as the state insurance commissioner may
11 establish by rule for a licensed profession or for any specialty within
12 a profession, taking into account the nature and size of the businesses
13 within the profession or specialty, then the partners shall be
14 personally liable to the extent that, had such insurance, bond, deposit
15 in trust, bank escrow of cash, bank certificates of deposit, United
16 States Treasury obligations, bank letter of credit, insurance company
17 bond, or other evidence of responsibility been maintained, it would
18 have covered the liability in question.

19 NEW SECTION. **Sec. 8.** The rights and duties of the partners in
20 relation to the partnership shall be determined, subject to any
21 agreement between them, by the following rules:

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

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

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

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

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

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

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

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

13 NEW SECTION. **Sec. 9.** Where a dissolution is caused by the act,
14 death, or bankruptcy of a partner, each partner is liable to his or her
15 copartners for his or her share of any liability created by any partner
16 acting for the partnership as if the partnership had not been dissolved
17 unless:

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

20 (2) The dissolution being by the death or bankruptcy of a partner,
21 the partner acting for the partnership had knowledge or notice of the
22 death or bankruptcy; or

23 (3) The liability is for a debt, obligation, or liability for which
24 the partner is not liable as provided in section 7(2) of this act.

25 NEW SECTION. **Sec. 10.** (1) The dissolution of the partnership does
26 not of itself discharge the existing liability of any partner.

27 (2) A partner is discharged from any existing liability upon
28 dissolution of the partnership by an agreement to that effect between
29 himself or herself, the partnership creditor and the person or
30 partnership continuing the business; and such agreement may be inferred
31 from the course of dealing between the creditor having knowledge of the
32 dissolution and the person or partnership continuing the business.

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

1 (4) The individual property of a deceased partner shall be liable
2 for those obligations of the partnership incurred while he or she was
3 a partner and for which he or she was liable under section 7 of this
4 act, but subject to the prior payment of his or her separate debts.

5 NEW SECTION. **Sec. 11.** In settling accounts between the partners
6 after dissolution, the following rules shall be observed, subject to
7 any agreement to the contrary:

8 (1) The assets of the partnership are:

9 (a) The partnership property;

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

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

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

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

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

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

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

21 (4) Except as provided in section 7(2) of this act: (a) The
22 partners shall contribute, as provided by section 8(1) of this act the
23 amount necessary to satisfy the liabilities; and (b) if any, but not
24 all, of the partners are insolvent, or, not being subject to process,
25 refuse to contribute, the other partners shall contribute their share
26 of the liabilities, and, in the relative proportions in which they
27 share the profits, the additional amount necessary to pay the
28 liabilities.

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

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

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

38 (8) When partnership property and the individual properties of the

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

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

8 (a) Those owing to separate creditors;

9 (b) Those owing to partnership creditors;

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

11 NEW SECTION. **Sec. 12.** Sections 1 through 11 of this act are each
12 added to chapter 25.04 RCW and codified with the subchapter heading of
13 "limited liability partnerships."

14 **SSB 5374** - H COMM AMD

15 By Committee on Law & Justice

16

17 On page 1, line 1 of the title, after "partnerships;" strike the
18 remainder of the title and insert "and adding new sections to chapter
19 25.04 RCW."

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