

UNIFORM PARTNERSHIP ACT (EXCERPT)
Act 72 of 1917

449.40 Dissolution; rules for distribution of assets and liabilities.

Sec. 40.

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

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

(i) The partnership property.

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

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

(i) Those owing to creditors other than partners.

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

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

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

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

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

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

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

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

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

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

(i) Those owing to separate creditors.

(ii) Those owing to partnership creditors.

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

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

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