

CHAPTER 45-18

PARTNER'S DISSOCIATION

45-18-01. (601) Events causing partner's dissociation. A partner is dissociated from a partnership upon the occurrence of any of the following events:

1. The partnership's having notice of the partner's express will to withdraw as a partner or on a later date specified by the partner.
2. An event agreed to in the partnership agreement as causing the partner's dissociation.
3. The partner's expulsion pursuant to the partnership agreement.
4. The partner's expulsion by the unanimous vote of the other partners if:
 - a. It is unlawful to carry on the partnership business with that partner;
 - b. There has been a transfer of all or substantially all of that partner's transferable interest in the partnership, other than a transfer for security purposes, or a court order charging the partner's interest, which has not been foreclosed;
 - c. Within ninety days after the partnership notifies a corporate partner that it will be expelled because it has filed a certificate of dissolution or the equivalent, its charter has been revoked, or its right to conduct business has been suspended by the jurisdiction of its incorporation, there is no revocation of the certificate of dissolution or no reinstatement of its charter or its right to conduct business; or
 - d. A partnership that is a partner has been dissolved and its business is being wound up.
5. On application by the partnership or another partner, the partner's expulsion by judicial determination because:
 - a. The partner engaged in wrongful conduct that adversely and materially affected the partnership business;
 - b. The partner willfully or persistently committed a material breach of the partnership agreement or of a duty owed to the partnership or the other partners under section 45-16-04; or
 - c. The partner engaged in conduct relating to the partnership business which makes it not reasonably practicable to carry on the business in partnership with the partner.
6. The partner's:
 - a. Becoming a debtor in bankruptcy;
 - b. Executing an assignment for the benefit of creditors;
 - c. Seeking, consenting to, or acquiescing in the appointment of a trustee, receiver, or liquidator of that partner or of all or substantially all of that partner's property; or
 - d. Failing, within ninety days after the appointment, to have vacated or stayed the appointment of a trustee, receiver, or liquidator of the partner or of all or substantially all of the partner's property obtained without the partner's consent

or acquiescence, or failing within ninety days after the expiration of a stay to have the appointment vacated.

7. In the case of a partner who is an individual:
 - a. The partner's death;
 - b. The appointment of a guardian or general conservator for the partner; or
 - c. A judicial determination that the partner has otherwise become incapable of performing the partner's duties under the partnership agreement.
8. In the case of a partner that is a trust or is acting as a partner by virtue of being a trustee of a trust, distribution of the trust's entire transferable interest in the partnership, but not merely by reason of the substitution of a successor trustee.
9. In the case of a partner that is an estate or is acting as a partner by virtue of being a personal representative of an estate, distribution of the estate's entire transferable interest in the partnership, but not merely by reason of the substitution of a successor personal representative.
10. Termination of a partner who is not an individual, partnership, corporation, trust, or estate.

45-18-02. (602) Partner's power to dissociate - Wrongful dissociation.

1. A partner has the power to dissociate at any time, rightfully or wrongfully, by express will pursuant to subsection 1 of section 45-18-01.
2. A partner's dissociation is wrongful only if:
 - a. It is in breach of an express provision of the partnership agreement; or
 - b. In the case of a partnership for a definite term or particular undertaking, before the expiration of the term or the completion of the undertaking:
 - (1) The partner withdraws by express will, unless the withdrawal follows within ninety days after another partner's dissociation by death or otherwise under subsections 6 through 10 of section 45-18-01 or wrongful dissociation under this subsection;
 - (2) The partner is expelled by judicial determination under subsection 5 of section 45-18-01;
 - (3) The partner is dissociated by becoming a debtor in bankruptcy; or
 - (4) In the case of a partner who is not an individual, trust other than a business trust, or estate, the partner is expelled or otherwise dissociated because it willfully dissolved or terminated.
3. A partner who wrongfully dissociates is liable to the partnership and to the other partners for damages caused by the dissociation. The liability is in addition to any other obligation of the partner to the partnership or to the other partners.

45-18-03. (603) Effect of partner's dissociation.

1. If a partner's dissociation results in a dissolution and winding up of the partnership business, chapter 45-20 applies, otherwise, chapter 45-19 applies.

2. Upon a partner's dissociation:

- a. The partner's right to participate in the management and conduct of the partnership business terminates, except as otherwise provided in section 45-20-03;
- b. The partner's duty of loyalty under subdivision c of subsection 2 of section 45-16-04 terminates; and
- c. The partner's duty of loyalty under subdivisions a and b of subsection 2 of section 45-16-04 and duty of care under subsection 3 of section 45-16-04 continue only with regard to matters arising and events occurring before the partner's dissociation, unless the partner participates in winding up the partnership's business pursuant to section 45-20-03.