



## **WHY YOUR STATE SHOULD ADOPT THE UNIFORM LIMITED PARTNERSHIP ACT (ULPA) (2001) (LAST AMENDED 2013)**

ULPA (2001) updates limited partnership law to reflect modern business practices by providing greater management and operational flexibility and vicarious liability protections for the partners. ULPA originally dates back to 1916, and since that time has set the standard for limited partnership law in this country. It was extensively revised in 1976, amended in 1985, revised in 2001, and amended in 2011 and 2013 as part of the Harmonization of Business Entity Acts project.

Limited partnerships were once used extensively within the business community for many different types of businesses. Today, limited liability partnerships (LLPs) and limited liability companies (LLCs) can meet many of the needs formerly met only by limited partnerships. Limited partnerships are now used primarily in two ways: for family limited partnerships in estate planning arrangements, and for highly-sophisticated, manager-controlled businesses that operate as limited partnerships.

Traditionally, a limited partnership is distinguished from a general partnership by the existence of limited partners who invest in the partnership; and in return for limited liability, the limited partners usually relinquish any right of control or management of partnership affairs. However, the general partner of a limited partnership traditionally receives no direct liability protection. The following is a list of the more significant changes to ULPA (2001), as amended:

- **Perpetual Entity.** No termination unless the agreement so provides. Limited partner exit does not dissolve the entity.
- **Entity Status.** A limited partner is clearly an entity.
- **Convenience.** ULPA (2001) provides a single, self-contained source of statutory authority for issues pertaining to limited partnerships. The prior acts were incomplete and dependent on the Uniform Partnership Act to fill in the coverage gaps. This linkage between the two partnership acts created significant legal issues.
- **LLLP Status.** Under ULPA (2001), limited partnerships may opt to become limited liability limited partnerships (LLLP), simply by so stating in the limited partnership agreement, and in the publicly filed certificate. The primary reason for a limited partnership to elect LLLP status is to provide direct protection from liability for debts, liabilities, and obligations of the partnership to the general partner of the limited partnership.
- **Limited Partner Liability Shield.** Previous versions of the act provided only a restricted liability shield for limited partners. The new ULPA (2001) provides a full, status-based shield against limited partner liability for entity obligations. The shield applies whether or not the limited partnership is an LLLP.

- **Express Default Statute.** The act governs relations among the partners and between the partners and the partnership only when the partnership agreement does not do so.

ULPA (2011) also addresses other issues, such as allocating power between general partners and limited partners; and sets forth fiduciary duties and other duties owed by general partners to other general and limited partners.

Adoption of ULPA (2001) will enhance a state's business climate by adding another distinct, specific purpose entity to the list of entities available for business and estate planning purposes. It maximizes opportunity and gives more entity choices with economic benefit.

ULPA (2001) (Last Amended 2013) is Article 4 of the Uniform Business Organizations Code.

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