



THE UNIFORM LIMITED PARTNERSHIP ACT (ULPA) (2001) (LAST AMENDED 2013)

- A Summary -

The Uniform Limited Partnership Act (ULPA) was promulgated originally in 1916. Along with the Uniform Partnership Act, ULPA has been the basic law governing partnerships in the United States. The first revision of ULPA after 1916 occurred in 1976. There were further amendments in 1985; this version of the act became known as Revised Uniform Limited Partnership Act (RULPA).

Changes in modern business practices made it necessary to update and modernize the RULPA beyond the 1976 and 1985 amendments. Thus, in 2001, the Uniform Law Commission (ULC) adopted a new, more flexible version of RULPA. In 2011 and 2013 amendments to ULPA (2001) were enacted as part of the Harmonization of Business Entity Acts project. These amendments harmonize the language in this act with similar provisions in the other uniform and model unincorporated entity acts.

The previous act, (ULPA with 1976 and 1985 amendments) set guidelines for the organization of limited partnerships, defined the rights and liabilities of both limited and general partners, and provided rules for the registration of the partnership in the state of origin. ULPA (2001) does not change the basic structure of limited partnerships as defined in the prior act. But it does improve the capacity of limited partnerships both to do business and to serve the best interests of partners and third parties conducting business with the partnership.

ULPA (2001) reflects modern business practices and represents a greater refinement of the scope and uses for limited partnerships. Modern businesses require ever greater sophistication from the legal forms governing their practices. ULPA (2001) recognizes modern day uses of limited partnerships by providing greater flexibility and protection to sophisticated groups seeking strongly entrenched, centralized management and persons requiring passive limited partners with little control over the partnership.

ULPA (2001) is a stand-alone act and is not linked to the Uniform Partnership Act, as was the case with the prior uniform limited partnership acts under which the partnership statute provided the rules for issues not covered by the limited partnership statute. Thus, ULPA (2001) incorporates many provisions from UPA (1997) and some from the Uniform Limited Liability Company Act (2006). As a result, ULPA (2001) is more complex and substantively longer than its predecessor.

ULPA (2001) was drafted for a world in which limited liability partnerships (LLPs) and limited liability companies (LLCs) can meet many of the needs formerly met by limited partnerships. Therefore, ULPA (2001) targets two types of enterprises that are largely beyond the scope of LLPs and LLCs.

First, ULPA (2001) includes provisions to meet the needs of sophisticated, manager-entrenched commercial deals whose participants commit for the long term. Second, ULPA (2001) addresses the modern needs of estate planning arrangements, so-called “family limited partnerships.” In addressing these concerns, this act assumes that people utilizing it will want both strong centralized, entrenched management, and passive investors or limited partners with little capacity to exit the entity. As a result, the act’s rules, and particularly its default rules, have been designed to reflect those assumptions.

A fundamental change from the previous act (ULPA with 1976 with 1985 amendments) involves the liability of limited partners and general partners for the partnership debts. Under the prior act, a limited partner could be held liable for the entity’s debts if the limited partner participated in the control of the business and a third party that transacted business with the partnership had the reasonable belief that the limited partner was a general partner. Under ULPA (2001), a limited partner cannot be held liable for the partnership debts even if the limited partner participates in the management and control of the limited partnership. General partners under the prior acts were jointly and severally liable for the debts, liabilities, and obligations of the partnership. This liability was complete, automatic and formally inescapable. Under ULPA (2001), however, limited liability limited partnership (LLLP) status is expressly available to provide a full liability shield to all general partners.

Another important change concerns a limited partner’s right to dissociate from the partnership. Under the prior acts, a limited partner could theoretically withdraw from the partnership on six months’ notice unless the partnership agreement specified different withdrawal events for a limited partner. Due to estate planning concerns, ULPA (2001) default rule affords no right to dissociate as a limited partner before the termination of the limited partnership. The power to dissociate is expressly recognized, but the right to dissociate may be exercised only through the partnership agreement or those events listed in section 601(b) of this act.

There are other important changes in ULPA (2001). For example, under the prior act, the duration of the limited partnership must be specified in the certificate of limited partnership. Under ULPA (2001), no duration limit is required and the default rule now creates a perpetual entity. However, the duration is subject to change via the partnership agreement.

Also, under the prior act the use of a limited partner’s name in the entity’s name was prohibited except in unusual circumstances. Under ULPA (2001), this restriction is eliminated and, therefore a limited partner’s name may be incorporated into the business name of an entity created under this act.

Further, under the prior act the dissolution of the partnership entity required the unanimous, written consent of all the partners. Under ULPA (2001), dissolution of the partnership only requires the consent of all the general partners and of the limited partners owning a majority of the rights to receive distributions as limited partners at the time the consent is to be effective.

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