

LIMITED PARTNERSHIPS

Requirements and Advantages

A. Requirements

1. There must be a certificate of limited partnership
2. It must contain the phrase “limited partnership or ‘LP’”
3. There must be a listed office address and resident agent with an address
4. There must be one general partner who has the fiduciary duties of loyalty and care to the partnership and limited partners.
5. There must be annual reporting

B. Advantages

1. Limited partners are liable only to the amount of their contributed capital.

Prohibited Functions and Liability to Third Parties

C. Prohibited Functions

1. A limited partner cannot actively participate in the control of the partnership or allow his name to be used in the partnership trade name.
2. A limited partner is not personally liable for an obligation of the limited partnership solely by reason of being an owner even if the partner participates in the management and control of the LP.

D. Liability to Third Parties

1. If a limited partner represents to a third party that he is a general partner, he will be liable to the third party. Many questions focus on a limited partner who becomes liable because of active participation in the management of the business or being held out as a partner.

Ownership Interest and Dissolution

E. Ownership Interest

1. Profits and losses and distributions are allocated according to the capital contribution value of each partner.
2. A limited partner may bring a derivative partnership action

F. Dissolution

1. A limited partnership dissolves when the last general partner dies or withdraws, unless within 90 days all partners agree to continue the business and appoint another general partner

LIMITED LIABILITY PARTNERSHIP (LLP)

Partners are treated as corporate shareholders where they are insulated from contract and tort liability including malpractice, but not from their own torts nor from those of their directly supervised subordinates.