

## What Are Limited Partnership Agreements?

To understand the Limited Partnership Agreement, one must first understand the limited partnership. Similar to the general partnership, the limited partnership consists of one or more general partners and one or more limited partners. The general partners act as would be expected. On the positive side, they manage and control the partnership, share in its profits, use its property, and have authority to bind the other general partners. On the negative side, they are all jointly and severally liable for the debts and obligations of the partnership.

Add to this the limited partners who are, as their name suggests, limited in what they can and cannot do. Limited partners can share in the profits, receiving dividends of sorts. They also can avoid the joint and several liability for the partnership's debts. They cannot, however, bind the partnership, nor do they have management control-usually. But they can sit on the board of directors without being deemed to have management control. Lastly, they are obliged by statute to disclose their status as limited partners to the public, lest unwitting persons think otherwise.

It happens sometimes that limited partners can have management control and the power to bind the partnership, and this leads into the main distinctions between general partnerships and limited partnerships. First, limited partnerships are created not by the intention of the parties but by statute, by filing registration papers with the state. Second, the parties may decide to override the Limited Partnership Agreement by actually endowing the limited parties with rights that they would not normally enjoy. And third, so long as the limited partnership observes certain rules related to limited liability, centralized management, duration, and transferability of ownership, it will benefit from pass-through taxation. Otherwise, it will be taxed like a corporation.

Limited partnerships are also distinguished from limited liability partnerships. In the latter case, all the partners have limited liability. In the former case, only the limited partners have limited liability; the general partners are still on the hook. To address this hazard, the limited partnership may be set up such that the general partner is actually a corporation or LLC.

Limited partnership Agreements have a number of essential clauses. Because the agreements govern the partnership, it is important for them to be clear and complete. They should address the issues of control and authority-may limited partners manage or bind the partnership? They should also deal the purpose of the partnership, its duration and termination; possible assignment of partnership interests (which are regarded as securities by law; the other partners have right of first refusal, too, where a partner is trying to assign the interest); and money-how to split the profits, how they will be taxed, and how to divide the partnership's debts.

Limited Partnership Agreements are most commonly found in the real estate and entertainment (film) industries, where projects (like constructing a building or making a movie) are of a finite duration and where the duties can be neatly separated. That is, in these situations, the general partners make the investment and control the project, and the limited partners provide the labor and the know-how. All, however, enjoy in the profits-at least theoretically.

## About the Author

Mark Warner is a Legal Research Analyst for RealDealDocs.com. RealDealDocs gives you insider access to millions of legal documents drafted by the top law firms in the US. Search over 10 million [Documents](#), [Clauses](#), and [Legal Agreements](#) for Free at <http://www.RealDealDocs.com>

Source: [www.isnare.com](http://www.isnare.com)

Source: <http://articles.exospy.com>