

Part 3 Limited Partners

48-2e-301 Becoming limited partners.

- (1) Upon formation of a limited partnership, a person becomes a limited partner as agreed among the persons that are to be the initial partners.
- (2) After formation, a person becomes a limited partner:
 - (a) as provided in the partnership agreement;
 - (b) as the result of a transaction effective under Part 11, Merger, Interest Exchange, Conversion, and Domestication;
 - (c) with the affirmative vote or consent of all the partners; or
 - (d) as provided in Subsection 48-2e-801(1)(d) or (1)(e).
- (3) A person may become a partner without:
 - (a) acquiring a transferable interest; or
 - (b) making or being obligated to make a contribution to the limited partnership.

Enacted by Chapter 412, 2013 General Session

48-2e-302 No agency power of limited partner as limited partner.

- (1) A limited partner is not an agent of a limited partnership solely by reason of being a limited partner.
- (2) A person's status as a limited partner does not prevent or restrict law other than this chapter from imposing liability on a limited partnership because of the person's conduct.

Enacted by Chapter 412, 2013 General Session

48-2e-303 No liability as limited partner for limited partnership obligations.

- (1) A debt, obligation, or other liability of a limited partnership is not the debt, obligation, or other liability of a limited partner. A limited partner is not personally liable, directly or indirectly, by way of contribution or otherwise, for a debt, obligation, or other liability of the limited partnership solely by reason of being or acting as a limited partner, even if the limited partner participates in the management and control of the limited partnership.
- (2) The failure of a limited partnership to observe formalities relating to the exercise of its powers or management of its activities and affairs is not a ground for imposing liability on a limited partner for a debt, obligation, or other liability of the limited partnership.

Enacted by Chapter 412, 2013 General Session

48-2e-304 Rights to information of limited partner and person dissociated as limited partner.

- (1) On 10 days' demand, made in a record received by the limited partnership, a limited partner may inspect and copy required information during regular business hours in the limited partnership's principal office. The limited partner need not have any particular purpose for seeking the information.
- (2) During regular business hours and at a reasonable location specified by the limited partnership, a limited partner may inspect and copy information regarding the activities, affairs, financial condition, and other circumstances of the limited partnership as is just and reasonable if:

- (a) the limited partner seeks the information for a purpose reasonably related to the partner's interest as a limited partner;
 - (b) the limited partner makes a demand in a record received by the limited partnership, describing with reasonable particularity the information sought and the purpose for seeking the information; and
 - (c) the information sought is directly connected to the limited partner's purpose.
- (3) Not later than 10 days after receiving a demand pursuant to Subsection (2), the limited partnership in a record shall inform the limited partner that made the demand of:
- (a) the information the limited partnership will provide in response to the demand and when and where the limited partnership will provide the information; and
 - (b) the limited partnership's reasons for declining, if the limited partnership declines to provide any demanded information.
- (4) Whenever this chapter or a partnership agreement provides for a limited partner to vote on or give or withhold consent to a matter, before the vote is cast or consent is given or withheld, the limited partnership shall, without demand, provide the limited partner with all information that is known to the limited partnership and is material to the limited partner's decision.
- (5) Subject to Subsection (10), on 10 days' demand made in a record received by a limited partnership, a person dissociated as a limited partner may have access to information to which the person was entitled while a limited partner if:
- (a) the information pertains to the period during which the person was a limited partner;
 - (b) the person seeks the information in good faith; and
 - (c) the person satisfies the requirements imposed on a limited partner by Subsection (2).
- (6) The limited partnership shall respond to a demand made pursuant to Subsection (5) in the manner provided in Subsection (3).
- (7) A limited partnership may charge a person that makes a demand under this section reasonable costs of copying, limited to the costs of labor and material.
- (8) A limited partner or person dissociated as a limited partner may exercise the rights under this section through an agent or, in the case of an individual under legal disability, a legal representative. Any restriction or condition imposed by the partnership agreement or under Subsection (11) applies both to the agent or legal representative and to the limited partner or person dissociated as a limited partner.
- (9) Subject to Subsection (10), the rights under this section do not extend to a person as transferee.
- (10) If a limited partner dies, Section 48-2e-704 applies.
- (11) In addition to any restriction or condition stated in its partnership agreement, a limited partnership, as a matter within the ordinary course of its activities and affairs, may impose reasonable restrictions and conditions on access to and use of information to be furnished under this section, including designating information confidential and imposing nondisclosure and safeguarding obligations on the recipient. In a dispute concerning the reasonableness of a restriction under this Subsection (11), the limited partnership has the burden of proving reasonableness.

Enacted by Chapter 412, 2013 General Session

48-2e-305 Limited duties of limited partners.

- (1) A limited partner shall discharge any duties to the limited partnership and the other partners under the partnership agreement and exercise any rights under this chapter or the partnership agreement consistently with the contractual obligation of good faith and fair dealing.

- (2) Except as otherwise provided in Subsection (1), a limited partner does not have any duty to the limited partnership or to any other partner solely by reason of acting as a limited partner.
- (3) If a limited partner enters into a transaction with a limited partnership, the limited partner's rights and obligations arising from the transaction are the same as those of a person that is not a partner.

Enacted by Chapter 412, 2013 General Session

48-2e-306 Person erroneously believing self to be limited partner.

- (1) Except as otherwise provided in Subsection (2), a person that makes an investment in a business enterprise and erroneously but in good faith believes that the person has become a limited partner in the enterprise is not liable for the enterprise's obligations by reason of making the investment, receiving distributions from the enterprise, or exercising any rights of or appropriate to a limited partner, if, on ascertaining the mistake, the person:
 - (a) causes an appropriate certificate of limited partnership, amendment, or statement of correction to be signed and delivered to the division for filing; or
 - (b) withdraws from future participation as an owner in the enterprise by signing and delivering to the division for filing a statement of negation under this section.
- (2) A person that makes an investment described in Subsection (1) is liable to the same extent as a general partner to any third party that enters into a transaction with the enterprise, believing in good faith that the person is a general partner, before the division files a statement of negation, certificate of limited partnership, amendment, or statement of correction to show that the person is not a general partner.
- (3) If a person makes a diligent effort in good faith to comply with Subsection (1)(a) and is unable to cause the appropriate certificate of limited partnership, amendment, or statement of correction to be signed and delivered to the division for filing, the person has the right to withdraw from the enterprise pursuant to Subsection (1)(b) even if the withdrawal would otherwise breach an agreement with others that are or have agreed to become co-owners of the enterprise.

Enacted by Chapter 412, 2013 General Session