

48-2e-504 Limitations on distributions.

- (1) A limited partnership may not make a distribution, including a distribution under Section 48-2e-813, if after the distribution:
 - (a) the limited partnership would not be able to pay its debts as they become due in the ordinary course of the limited partnership's activities and affairs; or
 - (b) the limited partnership's total assets would be less than the sum of its total liabilities plus, unless the partnership agreement permits otherwise, the amount that would be needed, if the limited partnership were to be dissolved and wound up at the time of the distribution, to satisfy the preferential rights upon dissolution and winding up of partners and transferees whose preferential rights are superior to those of persons receiving the distribution.
- (2) A limited partnership may base a determination that a distribution is not prohibited under Subsection (1) on:
 - (a) financial statements prepared on the basis of accounting practices and principles that are reasonable in the circumstances; or
 - (b) a fair valuation or other method that is reasonable under the circumstances.
- (3) Except as otherwise provided in Subsection (5), the effect of a distribution under Subsection (1) is measured:
 - (a) in the case of distribution as defined in Subsection 48-2e-102(4)(a), as of the earlier of:
 - (i) the date money or other property is transferred or debt is incurred by the limited partnership; or
 - (ii) the date the person entitled to the distribution ceases to own the interest or right being acquired by the limited partnership in return for the distribution;
 - (b) in the case of any other distribution of indebtedness, as of the date the indebtedness is distributed; and
 - (c) in all other cases, as of the date:
 - (i) the distribution is authorized, if the payment occurs not later than 120 days after that date; or
 - (ii) the payment is made, if payment occurs more than 120 days after the distribution is authorized.
- (4) A limited partnership's indebtedness to a partner or transferee incurred by reason of a distribution made in accordance with this section is at parity with the limited partnership's indebtedness to its general, unsecured creditors, except to the extent subordinated by agreement.
- (5) A limited partnership's indebtedness, including indebtedness issued as a distribution, is not considered a liability for purposes of Subsection (1) if the terms of the indebtedness provide that payment of principal and interest is made only if and to the extent that payment of a distribution could then be made under this section. If the indebtedness is issued as a distribution, each payment of principal or interest is treated as a distribution, the effect of which is measured on the date the payment is made.
- (6) In measuring the effect of a distribution under Section 48-2e-813, the liabilities of a dissolved limited partnership do not include any claim that has been disposed of under Section 48-2e-806, 48-2e-807, or 48-2e-808.

Enacted by Chapter 412, 2013 General Session