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All Washington State Limited Partnerships Change in 2010

7 Significant Changes on the Way for Limited Partnerships in Washington

The new Uniform Limited Partnership Act adopted by the State of Washington in 2009 (the "Act") will apply to those limited partnerships formed on or after January 1, 2010. Commencing July 1, 2010, its provisions will apply to all limited partnerships, whenever formed, whether or not they so elect. It is automatic. This means the Act will affect you if you are part of or if you are planning to form a Washington limited partnership.

The new Act modernizes the limited partnership statutes by making them more similar to other business entities in Washington and by making limited partnerships attractive as special purpose entities in the following circumstances: (1) for family limited partnerships in estate planning; and (2) for highly sophisticated, manager-controlled limited partnerships. In recent years, limited liability companies, limited liability partnerships, and some corporations have supplanted much of the limited partnership historical uses and benefits.

These are some of the significant changes:

- (1) The existence of the limited partnership is *perpetual* unless otherwise provided (Sec. 104);
- (2) *A limited partner may not disassociate* from the limited partnership before the termination of the limited partnership (Sec. 601);
- (3) General partners are liable for the debts of the partnership (Sec. 404). Limited partnerships may now opt to be limited liability limited partnerships (LLLP's) by so declaring in the limited partnership agreement and in the filed certificate. If elected, the *general partner may have protection from liability* for the debts and obligations of the limited partnership;
- (4) Limited partners enjoy limited liability against limited partnership obligations even if the *limited partner participates in the management or control* of the limited partnership (Sec. 303);
- (5) *A limited partner's name may be incorporated* into the name of the limited partnership (Sec. 108);
- (6) *Dissolution* is approved by a vote of all the general partners and the limited partners holding a majority of the rights to receive distributions (Sec. 801); and
- (7) Limited partners are *not deemed to have a fiduciary duty* to the limited partnership solely by reason of being a limited partner (Sec. 305).

We recommend that anyone with an existing limited partnership contact us immediately to discuss the impact of this new Act and the advisability of amending the Certificate of Limited Partnership and the limited partnership agreement to benefit from or protect against the above.

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