

**Limited partnership defined.**

A limited partnership is a partnership formed by two or more persons under section 1102 of this division, having as members one or more general partners and one or more limited partners. The limited partners as such shall not be bound by the obligations of the partnership.

**§1102. Formation.**

Two or more persons, each of whom may be an individual or a corporation and any of whom may be acting in a fiduciary capacity, desirous of forming a limited partnership, shall sign and file a certificate, as follows:

(a) The certificate shall state:

(1) The name of the partnership;

(2) The character of the business;

(3) The location of the principal place of business;

(4) The name and place of residence of each member, and whether said member is a [citizen of the Federated States of Micronesia](#); general and limited partners being respectively designated;

(5) The term for which the partnership is to exist;

(6) The amount of cash and a description of and the agreed value of the other property contributed by each limited partner (contribution of a limited partner may not be services);

(7) The additional contributions, if any, agreed to be made by each limited partner and the times at which or event on the happening of which they are to be made;

(8) The time, if agreed upon, when the contribution of each limited partner is to be returned;

(9) The share of profits or the other compensation by way of income which each limited partner is to receive by reason of his contribution;

(10) The right, if given, of a limited partner to substitute an assignee as contributor in his place, and the terms and conditions of the substitution;

(11) The right, if given, of the partners to admit additional limited partners;

(12) The right, if given, of one or more of the limited partners to priority over other limited partners, as to contributions or as to compensation by way of income and the nature of the property;

(13) The right, if given, of the remaining general partner(s) to continue the business on the death or retirement of a general partner, or on the order of a court of competent jurisdiction adjudicating a general partner incompetent to manage his person or his property; and

(14) The right, if given, of a limited partner to demand and receive property other than cash in return for his contribution.

(b) The certificate shall be certified by each of the persons and shall be filed with the Registrar of Corporations.

**§1103. Existence.**

A limited partnership is formed if there has been substantial compliance in good faith with the requirements in section 1102, and shall be deemed to exist upon filing. The Registrar shall preserve the certificate and it shall be open to the inspection of the public.

**§1104. Annual statement.**

(a) Every limited partnership shall file an annual statement on or before March 31 of each year as of December 31 of the preceding year containing the following information:

(1) The name of the limited partnership;

(2) The name and residence address of each partner, and whether he is a general or limited partner;

(3) The nature of the limited partnership business;

(4) The location of the principal place of business of the limited partnership in the State and, if the limited partnership is one formed under the laws of any other jurisdiction, the name of the jurisdiction and the location of the principal place of business of the partnership; and

(5) The fact that none of the partners is either a minor or an incompetent person.

(b) Each annual statement shall be certified as correct by any general partner.

**§1105. Partnership name.**

(a) The surname of a limited partner shall not appear in the partnership name, unless:

(1) it is also the surname of a general partner, or

(2) prior to the time when the limited partner became such, the business had carried on under a name in which his surname appeared.

(b) A limited partner whose name appears in a partnership name contrary to the foregoing provisions is liable as a general partner to partnership creditors who extend credit to the partnership without actual knowledge that he is not a general partner.

**§1106. Liability for false statement.**

If the certificate contains a false statement, one who suffers loss by reliance on the statement may hold liable any party to the certificate who knew the statement to be false:

(a) At the time he signed the certificate, or

(b) Subsequently, but within a sufficient time before the statement was relied upon to enable him to cancel or amend the certificate, or to file a petition for its cancellation or amendment.

**§1107. Limited partner not liable to creditors.**

A limited partner shall not become liable as a general partner unless, in addition to the exercise of his rights and powers as a limited partner, he takes part in the control of the business.

**§1108. Rights, powers, and liabilities of a general partner.**

A general partner shall have all the rights and powers and be subject to all the restrictions and liabilities of a partner in a partnership without limited partners, except that without the written consent or ratification by all of the limited partners, a general partner or all of the general partners have no authority to:

(a) Do any act in contravention of the certificates;

(b) Do any act which would make it impossible to carry on the ordinary business of the partnership;

(c) Confess a judgment against the partnership;

(d) Possess partnership property, or assign their rights in specific partnership property, for other than a partnership purpose;

(e) Admit a person as a general partner;

(f) Admit a person as a limited partner, unless the right to do so is given in the certificate;

(g) Continue the business with partnership property on the death, retirement, or insanity of a general partner, unless the right to do so is given in the certificate.

**§1109. Rights of a limited partner.**

(a) A limited partner shall have the same rights as a general partner to:

(1) Have the partnership books kept at the principal place of business of the partnership, and at all times to inspect and copy any of them;

(2) Have on demand true and full information of all things affecting the partnership, and a formal account of partnership affairs whenever circumstances render it just and reasonable; and

(3) Have dissolution and winding up by decree of court.

(b) A limited partner shall have the right to receive a share of the profits or other compensation by way of income, and to return of his contribution, as provided in sections 1111 and 1112 of this division.

**§1110. Relation of limited partners inter se.**

Where there are several limited partners the members may agree that one or more of the limited partners shall have a priority over the other limited partners as to the return of their contribution, as to their compensation by way of income, or as to any other matter. If such an agreement is made it shall be stated in the certificate, and in the absence of the statement all the limited partners shall stand on equal footing.

**§1111. Compensation of limited partner.**

A limited partner may receive from the partnership the share of the profits or the compensation by way of income stipulated for in the certificate; provided that, after the payment is made, whether from the property of the partnership or that of a general partner, the partnership assets are in excess of all liabilities of the partnership except liabilities to limited partners on account of their contributions and to general partners.

**§1112. Withdrawal or reduction of limited partner. s contribution.**

(a) A limited partner shall not receive from a general partner or out of partnership property any part of his contribution until:

(1) all liabilities of the partnership, except liabilities to general partners and to limited partners on account of their contributions, have been paid or there remains property of the partnership sufficient to pay them;

(2) the consent of all members is had, unless the return of the contribution may be rightfully demanded under subsection (b); and

(3) the certificate is canceled or amended as to set forth the withdrawal or reduction.

(b) Subject to subsection (a) a limited partner may rightfully demand the return of his contribution:

(1) on the dissolution of the partnership; or

(2) when the date specified in the certificate for its return has arrived; or

(3) after he has given six months. notice in writing to all other members if no time is specified in the certificate either for the return of the contribution or for the dissolution of the partnership.

#### **§1113. Liability of limited partner to partnership.**

(a) A limited partner is liable to the partnership:

(1) for the difference between his contributions as actually made and that stated in the certificate as having been made; and

(2) for any unpaid contribution which he agreed in the certificate to make in the future at the time and on the conditions stated in the certificate.

(b) The liabilities of a limited partner as set forth in this section can be waived or compromised on by the consent of all the members; but a waiver or compromise shall not affect the right of a creditor of a partnership, who extended credit or whose claim arose after the filing and before a cancellation or amendment of the certificate, to enforce such liabilities.

(c) When a contributor has rightfully received the return in whole or in part of the capital of his contribution, he is nevertheless liable to the partnership for any sum, not in excess of the return with interest, necessary to discharge its liabilities to all creditors who extended credit or whose claims arose before the return.

#### **§1114. Assignment of limited partner's interest.**

(a) A limited partner's interest in the partnership is personal property and is assignable.

(b) A substituted limited partner is a person admitted to all the rights of a limited partner who has died or has assigned his interest in a partnership. An assignee may become a substituted limited partner if all the members (except the assignor) consent thereto or if the assignor, being so empowered by the certificate, gives the assignee that right. As assignee becomes a substituted limited partner when the certificate is appropriately amended. The substituted limited partner has all the rights and powers and is subject to all the restrictions and liabilities of his assignor, except those liabilities of which he was ignorant at the time he became a limited partner and which could not be ascertained from the certificate.

(c) An assignee who does not become a substituted limited partner has no right to require any information or account of the partnership transactions or to inspect the partnership books; he is only entitled to receive the shares of the profits or other compensation by way of income, or the return of his contribution, to which his assignor would otherwise be entitled.

(d) The substitution of the assignee as a limited partner does not release the assignor from liability to the partnership under sections 1106 and 1113.

**§1115. Effect of retirement, death, or insanity.**

The retirement, death, or insanity of a general partner dissolves the partnership, unless the business is continued by the remaining partners under a right to do so stated in the certificate, or with the consent of all members.

**§1116. Death of limited partner.**

On the death of a limited partner his personal representative shall have all the rights of a limited partner for the purpose of settling his estate, and such power as the deceased had to constitute his assignee a substituted limited partner. The estate of a deceased limited partner shall be liable for all his liabilities as a limited partner.

**§1117. Distribution of assets.**

(a) In settling accounts after dissolution the liabilities of the partnership shall be entitled to payment in the following order:

(1) Those to creditors in the order of priority as provided by law, except those to limited partners and general partners on account of their contributions;

(2) Those to limited partners in respect to their share of the profits and other compensation by way of income on their contributions;

(3) Those of limited partners in respect to the capital of their contributions;

(4) Those to general partners other than for capital and profits;

(5) Those to general partners in respect to profits; and

(6) Those to general partners in respect to capital.

(b) Subject to any statement in the certificate or to subsequent agreement, limited partners share in the partnership assets in respect to their claims for capital and for profits, or for compensation by way of income on their contributions, respectively in proportion to the amounts of their claims.

**§1118. When and how certificate shall be cancelled or amended.**

(a) The certificate shall be cancelled when the partnership is dissolved or all limited partners cease to be such. A certificate shall be amended when:

(1) There is a change in the name of the partnership or in the amount or character of the contribution of any limited partner;

(2) A person is substituting as limited partner;

(3) An additional limited partner is admitted;

(4) A person is admitted as a general partner;

(5) A general partner dies, retires, or becomes insane, and the partnership is continued under section 1115 of this chapter;

(6) There is a change in the character of the business of the partnership;

(7) There is a false or erroneous statement in the certificate;

(8) There is a change in the time stated in the certificate for the dissolution of the partnership or for the return of a contribution;

(9) A time is fixed for the dissolution of the partnership, or the return of a contribution, no time having been specified in the certificate; or

(10) The members desire to make a change in any other statement in the certificate to represent accurately the statement between them.

(b) The writing to amend a certificate shall set forth clearly the change in the certificate, and be signed and acknowledged by all general partners and all limited partners; provided that, if a partner withdraws and cannot be located or is unwilling to sign, a statement to that effect shall be included with the writing to amend and it need not be signed or acknowledged by that partner. A certificate is cancelled or amended when the writing to amend is filed with the Registrar in accordance with the provisions of this section.

**§1119. Annual statement.**

An annual statement shall be filed on or before March 31 of each year, as of December 31 of the preceding year. Every such annual statement shall list the names of any general and limited partner admitted, withdrawn, or who has died during the year, and shall indicate any changes from the information provided in the registration statement or any previous annual statement. Each annual statement shall be certified as correct by any general partner.

**§1120. Personal liability.**

Every general partner who neglects or fails to comply with any provision of this division shall be liable severally and individually for all debts and liabilities of the limited partnership. Any person who signs and acknowledges or certifies as correct any statement or certificate filed pursuant to this division, knowing the same to be false in any material particular, shall be individually liable for all debts of the limited partnership, in addition to all other civil or criminal penalties which may be imposed.

**§1121. Cancellation of registration.**

If any limited partnership fails or neglects for a period of two years to file any annual statement as required by this division, the Registrar may cancel the certificate of such limited partnership. The cancellation of such certificate shall not relieve the general partners of liability for the penalties for the failure to file.