

Key Highlights of the Exempted Limited Partnership

Under the Exempted Limited Partnership Act, 1995 ("the Act"), an exempted limited partnership ("LP") may be formed for any lawful purpose to be carried out and undertaken either in or from within the Bahamas or elsewhere provided that it "*shall not undertake business with the public in The Bahamas other than so far as may be necessary for the carrying on of the business of that exempted Limited Partnership exterior to The Bahamas*".

Shall consist of one or more General Partners and one or more Limited Partners, each of which may be a body corporate.

GENERAL PARTNERS

In general, the General Partners run the business and have unlimited liability. In this regard:

- (i) A General Partner shall enter into all letters, contracts, deeds, instruments and documents on behalf of the LP
- (ii) In the event that the assets of the LP are inadequate, the General Partner shall be liable for all debts and obligations of the LP.
- (iii) Any property of an LP conveyed to a General Partner of in the name of the LP shall be deemed to be held by the General Partner upon trust as an asset of the LP pursuant to the terms of the partnership agreement
- (iv) Any debt/obligation incurred by a General Partner in the conduct of business of an LP shall be a debt/obligation of the LP
- (vi) A General Partner may also take an interest in an LP as a Limited Partner.
- (vii) A General Partner is not required to have a trust license under the Banks & Trust Companies Regulation Act

At least one General Partner shall :

- (i) if an individual, be resident in The Bahamas; or
- (ii) if a company, be incorporated under the International Business Companies Act, or incorporated or registered under the Companies Act.

LIMITED PARTNERS

In general, the Limited Partners do not run the business, and have limited liability. In this regard:

- (i) A Limited Partner shall not take part in the conduct of the business of an LP. A Limited Partner does not take part in the conduct of the business of the LP by doing one or more of the following:
 - (a) being a contractor/agent/employee of the LP/ a General Partner or acting as a director/officer/shareholder of a corporate general partner;
 - (b) consulting with/advising a General Partner with respect to the business of an LP;
 - (c) investigating/reviewing/approving or being advised as to the accounts/business affairs of the LP or exercising any right conferred by the Act;
 - (d) acting as surety/guarantor for the LP;
 - (e) approving/disapproving an amendment to the partnership agreement;
 - (f) voting as a limited partner in respect of:
 - the dissolution/winding up of the LP;
 - the purchase, sale, exchange, lease, mortgage, pledge or other acquisition or transfer of any asset by or of the LP;
 - incurring/renewal of indebtedness of the LP;
 - change in the nature of the business of the LP;
 - the admission, removal, withdrawal of a General Partner or a Limited Partner and the continuation of business of the LP thereafter;

Continued overleaf...

Key Highlights of the Exempted Limited Partnership (Cont'd)

- transactions where one or more of the General Partners have a conflict of interest (actual/potential) with 1 or more of the Limited Partners;
- (ii) A Limited Partner shall have the benefit of limited liability from the date of the Certificate of Registration issued by the Registrar.
- (iii) A Limited Partner shall not be liable for the debts or obligations of the LP save as provided for in (i) the partnership agreement and (ii) sections 7(2) and 14(2) of the Act.

Section 7(2) of the Act provides that if the Limited Partner takes part in the conduct of the business of the LP with a non-partner, in the event of the insolvency of the LP he shall be liable to a non-partner for all debts and obligations of the LP incurred during that period (as if he were a general partner) if such person (i) had actual knowledge of such participation and (ii) reasonably believed such Limited Partner to be a General Partner.

Section 14(2) of the Act provides that where the Limited Partner receives a payment representing a return of any part of his contribution and at the time of and immediately following such payment the LP is not solvent, then in the event of the insolvency of the LP within six months of the payment, the payment is repayable by the Limited Partner to the extent that such contribution or part thereof is necessary to discharge a debt or obligation of the LP incurred during the period that the contribution represented an asset of the LP.

A LP has the following exemptions for fifty years from the date of its Certificate of Registration:

- (i) Shall not be subject to any business license fee, income tax, capital gains tax or any other tax on income or distributions accruing to or derived from the LP.
- (ii) Shall be exempt from the provision of the Exchange Control Regulations.
- (iii) No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by a partner/his executors/administrators with respect to any interest in an LP.
- (iv) Shall be exempt from the payment of stamp duty

REGISTRATION FORMALITIES & FEES

A LP:

- (i) shall have a name, which includes the words "Limited Partnership", or the letters "L.P."
- (ii) shall have a registered office in The Bahamas for service of process and to which all notices and communications may be addressed.
- (iii) shall on or before 31st January in every year, pay an annual fee (\$475.00) and file with the Registrar a Return signed by or on behalf of a General Partner certifying that the LP has during the prior calendar year complied with the Act.

The registration of an LP is effected by the payment of the registration fee (\$850.00) and by filing a Statement with the Registrar. The partnership agreement does not have to be filed.