

1. The partners may avoid dissolving the general partnership by unanimous agreement. If one partner does not wish to carry on the partnership, the other two partners may continue the partnership by agreement because they will hold a majority interest (2/3) in the partnership. If two partners wish to dissolve on February 28, 2010, the last remaining partner may not continue the partnership as a partnership inherently requires more than one partner.

An agreement to continue the partnership will be presumed if 90 days from February 28, 2010 pass and no efforts have been made to wind up the partnership. If one partner wants to withdraw, she must notify the others and will be subject to a settlement of her partnership interest. Because the partnership is insolvent, the departing partner will still be liable for debts already incurred.

2(a). The partners must notify all creditors of the dissolution, evaluate all claims against the partnership, liquidate the partnership assets, pay the claims in order of priority and file a notice of dissolution with the Texas Secretary of State. Donna & Investor must therefore be notified of the dissolution so they can timely present their claims.

2(b). The partnership debts exceed its assets:

Investor is owed \$20,000

Donna is owed \$7,000

Pam is owed \$3,000

Debts: \$30,000

Inventory worth \$5,000

Fixtures worth \$10,000

Assets \$15,000

Even though Pam is a partner, her loan to the partnership is repaid pro rata with the claims of third-party creditors. The \$15,000 worth of assets should be liquidated and a 50% distribution made to the creditors

Investor to receive \$10,000

Donna to receive \$3,500

Pam to receive \$1,500

Debts: \$15,000

Had the partnership's assets exceeded its liabilities and the creditors been paid in full (including interest to Pam), the remaining assets would have been distributed in accordance with the partners' capital account balances (\$10,000 to each partner) and then to the partners in accordance with their ownership interests in the partnership (1/3 each).

To the extent any partner contributes more than her 1/3 share toward partnership liabilities, she is entitled to contributions from the other partners. Here, the partners are general partners and therefore liable personally for uncollected debts of the partnership. If Investor or Donna obtains a money judgment against any of the partners for the unpaid half of her claim, the Investor or Donna can look to assets personally owned by the partners. This is the most unfavorable aspect of a general partnership.

1. Yes. The partners can avoid dissolving the partnership. As a general partnership, there is no termination date unless otherwise agreed. Pam, Beth and Jane agreed to end the partnership and dissolve it on February 28, 2010. Although they have an agreement, they can decide to amend the agreement if they all agree too. A partnership is an agreement between parties to own a business together for profit (whether or not they actually do). If all three of them can agree to amend their agreement they should. Moreover, a general partnership can be at will without any written agreement to terminate and they could continue running the business under the same objective. However, if their application with Secretary of State mentions that the partnership will dissolve on February 28, they will have to amend this. If they cannot agree they will have to dissolve the partnership.

2. To wind up the partnership, they must first settle those debts they can with partnership funds. Each partner in a general partnership is jointly and severally liable for debts not paid by the partnership. To settle debts the partners owe they will likely sell off the assets that is inventory worth \$5,000 and fixtures worth \$10,000. The steps needed to wind up would be:

1. Sell assets/settle debts to creditors including partners who loaned money to the partnership.
2. Pay out amounts to various partners, that is if any money left over to pay back partners for their contribution and share profits if any.
3. Give notice to all creditors of winding up.

2(b). As mentioned above, the partners can be held personally liable for debts of the partnership since there is only \$15,000 in the form of inventory and fixtures. If sold, the proceeds will have to be shared pro-rata amongst the creditors. Current creditors of the partnership are; Investor \$20k, Donna \$7k and Pam \$3k for a total of \$30k. All the partners will have to share the loss equally according to the terms of their agreement. Therefore, with a balance due of \$15k each partner will owe \$5k or have to contribute \$5k to meet the obligation. However, because Pam is owed \$3k she pays only \$2k while Beth and Jane pay her \$1.5k each. But Investor and Donna are entitled to hold anyone of the three partners liable for the amounts owed them. Whichever partner pays is entitled to contribution from the others. The \$10,000 in contribution made by each partner is a loss they each bear.