

(1) The issue here is whether or not Tom has the authority to terminate Building's superintendent. A partnership interest may be transferable. In this case, Mary gifted one-half of her interest to her son, Tom. Mary does not need to get John's permission to transfer her interest. The property right that comes with a transferred interest is to receive any payouts that the company distributes. It does not give the transferee any rights to control or make decisions for the partnership whatsoever. The only way that Tom can be admitted as a partner and have control over the partnership is if both John and Mary consent to it. The facts of this case state that no formal steps were taken to admit Tom to the partnership. Therefore, Tom did not have authority to terminate Building's superintendent.

(2) The issue is whether Tom, as an interest holder, is personally liable for damage to the property caused by the fire. A transferee's rights are limited to receiving distributions from the company. In a Partnership, the partners and the Partnership are all liable for Partnership obligations or torts. In this case, John and Mary are joint and severally liable with JM Partnership and will be liable to the tenant's for damage to their property caused by the fire. The tenants may sue both the Partnership and John and Mary, but the court will exhaust the Partnership funds before making Mary and John personally liable. Tom will not be personally liable because he is not a partner.

(3) The issue here is whether the company must buy out Tom's interest for \$50,000 in cash. First of all, JM is a partnership created for the purpose of owning and operating an apartment building for a term of 10 years. The partnership has only been in business for 5 years, and therefore, has 5 years left for completion. The Partnership is not required to wind up until then. In fact, if the partners agree to it, they may continue to operate after the expiration of the 10 years. A transferee who owns an interest in the partnership may not demand that their interest be bought out unless the term of years for the Partnership has expired. Therefore, JM does not have to buy out Tom's interest at this moment.

JM also disputes the value of Tom's interest in the company. When the time comes to wind up and distribute the parties interests if the parties do not agree on the value, the court may get involved and set the interest price.

END OF EXAM

1. Under TBOC, a general partnership is created an agreement by at least two people who intend to create a business for profit. The general partnership is personally liable for the debts and obligations of the partnership and each of its members. Each partner is jointly and severally liable for the the debts and obligations of the partnership and other partners. Each partner may act as an agent of the partnership. Each partner has the right of management and control of the partnership.

Tom is not a general partner in the partnership. He received an interest right in the partneship but was not admitted formally as a partner. No formal steps were taken to admit Tom into the partnership. Therefore, Tom was not entitled to engage in the management and control of the partnership by terminated the superintendent. His attempt to do so was in fact invalid since he is not a general partner.

2. Tom does not have any personal liability to JM' tenants for the damage to their property. Under TBOC, a general partnership is created an agreement by at least two people who intend to create a business for profit. The general partnership is personally liable for the debts and obligations of the partnership and each of its members. Each partner is jointly and severally liable for the the debts and obligations of the partnership and other partners. Each partner acts as an agent of the partnership. A person who receives an interest in the partnership may not be admitted to the partnership unless all other partners have agreed to the admittance. A partner is not required to consult with other partners about assigning interest rights unless otherwise stated in th partneship agreement.

Here, both Mary and John are general partners who have the right to freely assign their rights in the partnership. Without consulting John, Mary gave one half of her partnership interest in JM to Tom. This is totally acceptable since the facts does not state that there was an partnership agreement that stated otherwise. No formal steps were take in admit Tom into the partnership. Therefore, Tom did not become a partner in the partnership when he received his mother's interest and is not personally liable to the tenants for damages. At the conveyance of the interest, Tom only became an assignee, and has the right to any profits of the partnership, but may not participate in the management and control of the partnership. Even if Tom was admitted as a general partner, he would not incurr personally liability because the accident occured prior to his admittance.

3. Jm is not required to buy out Tom's interest. General partners are entitled to redeem the fair market value of their shares upon the partner withdrawing from the partnership. A partner may withdraw or redeem an interest from a partnership at anytime unless it is otherwise stated in the partnership agreement. A partner who wrongfully withdraws from the partnership is not entitled to redeem its interest until the partnership has ended.

Here, again Tom is not a partner of the partnership. However, he was assigned an interest from his mother that allows him to collect all profits and other interests of the partnership without participating in the management and control of the partnership. As an assignee, Tom may redeem his interest in the property at any time unless otherwise stated in a partnership agreement. Here, the partnership was created for a term of 10 years. Tom may not redeem his interest prior to the termination of the partnership.

END OF EXAM

1. Tod did not have the authority to terminate Building's superintendent. The issue is whether a transferee of partnership interest has authorization to manage the partnership and thus fire an employee. Under Texas law, a partner is freely able to transfer her interest in the property. This transfer entitles the transferee to receive any interest or distributions as the partner will be entitled. However, the transfer of interest does not contain any management rights or the rights to become a partner. Here, Mary gave one-half of her partnership interest in JM to her son Tom as a graduation gift. Therefore, Tom as the transferee is entitled to one-half of the income and distributions that Mary would get as a partner in the general partnership (JM). However, this transfer of interest, did not give Tom the right to become a partner or have any management rights over JM. The partnership, JM, was formed for the purpose of owning and operating an apartment building (Building). Building was taken in the partnership name, and thus the partners of JM have authority over it. JM hired a building superintendent to manage Building. Tom did not become a partner of JM and had no management rights to act on behalf of JM, therefore, Tom had no authority to terminate Building's superintendent.

2. Tom does not have any personal liability to JM's tenants for damage to their property caused by the fire. In a general partnership, all the partners of the partnership all jointly and severally liable for any acts of the partners or the partnership. Therefore, someone having a claim against the partnership can recover against the partners after they have exhausted the partnership. However, this liability does not pass to those who only hold an interest in the property, although their interest may be lost if the partnership becomes insolvent. Here, Mary, one of the general partners of JM transferred a one-half interest to Tom, her son as a graduating present. No formal steps were taken to admit Tom into the partnership. Thus, the result was only a transfer of interest, and this is not a transfer of rights in the partnership. Therefore, since Tom is not a partner of the general partnership, he will not have any personal liability to JM's tenants for damage to their property caused by the fire. However, like mentioned above, if the tenants do have a claim for damages against JM, Tom's interest in the partnership may be absolved.

3. JM is not required to buy out Tom's interest for \$50,000 in cash. An owner of partnership interest may request that his interest be bought out by the company, however it must be based on the fair market value at the time of the withdrawal. Furthermore, when a partnership is durational, it will not terminate until the end of the duration stated, and it is not until then that the partnership is required to buy out any interest. Here, the partnership was for a term of 10 years. Tom has made a written demand on JM to buy out his interest for \$50,000 cash, the value assigned by Tom's appraiser. However, JM disputes the value assigned by Tom's appraiser. JM may, if it so desires, buy out Tom's interest, but is not required to do so, until the end of the 10 year term. Furthermore, before JM should be required to buy out Tom's interest it must be given the opportunity to settle the dispute as to the value of the interest, as it must be the fair market value at the time of winding up the partnership. Therefore, because the durational term of the partnership has not yet expired, and the fair market value is still to be considered, JM is not required to buy out Tom's interest for \$50,000 in cash.

END OF EXAM
