

14.4 Tort Liability Thomas McGrath was a partner in the law firm Tarbenson, Thatcher, McGrath, Treadwell & Schoonmaker. One day, at approximately 4:30 P.M., McGrath went to a restaurant-cocktail establishment in Kirkland, Washington. From that time until about 11:00 P.M., he imbibed considerable alcohol while socializing and discussing personal and firm-related business. After 11:00 P.M., McGrath did not discuss firm business but continued to socialize and drink until approximately 1:45 A.M., when he and Fredrick Hayes, another bar patron, exchanged words. Shortly thereafter, the two encountered each other outside, and after another exchange, McGrath shot Hayes. Hayes sued McGrath and the law firm for damages. Who is liable? *Hayes v. Tarbenson, Thatcher, McGrath, Treadwell & Schoonmaker*, 50 Wash.App. 505, 749 P.2d 178, Web 1988 Wash.App. Lexis 27 (Court of Appeals of Washington)

14.5 Liability of General Partners Pat McGowan, Val Somers, and Brent Robertson were general partners of Vermont Place, a limited partnership formed for the purpose of constructing duplexes on an undeveloped tract of land in Fort Smith, Arkansas. The general partners appointed McGowan and his company, Advance Development Corporation, to develop the project, including contracting with materials people, mechanics, and other suppliers. None of the limited partners took part in the management or control of the partnership.

Eight months later, Somers and Robertson discovered that McGowan had not been paying the suppliers. They removed McGowan from the partnership and took over the project. The suppliers sued the partnership to recover the money owed them. The partnership assets were not sufficient to pay all their claims. Who is liable to the suppliers? *National Lumber Company v. Advance Development Corporation*, 293 Ark. 1, 732 S.W.2d 840, Web 1987 Ark. Lexis 2225 (Supreme Court of Arkansas)

14.6 Liability of Limited Partners Union Station Associates of New London (USANL) was a limited partnership formed under the laws of Connecticut. Allen M. Schultz, Anderson Nolter Associates, and the Lepton Trust were limited partners. The limited partners did not take part in the management of the partnership. The National Railroad Passenger Association (NRPA) entered into an agreement to lease part of a railroad facility from USANL. NRPA sued USANL for allegedly breaching the lease and also named the limited partners as defendants. Are the limited partners liable? *National Railroad Passenger Association v. Union Station Associates of New London*, 643 F.Supp. 192, Web 1986 U.S. Dist. Lexis 22190 (United States District Court for the District of Columbia)

14.7 Liability of Partners Raugust-Mathwig, Inc., a corporation, was the sole general partner of a limited partnership. Calvin Raugust was the major shareholder of this corporation. The three limited partners were Cal-Lee Trust, W.J. Mathwig, Inc., and W.J. Mathwig, Inc., and Associates. All three of the limited partners were valid corporate entities. Although the limited partnership agreement was never executed and a certificate of limited partnership was not filed with the state, the parties opened a bank account and began conducting business.

John Molander, an architect, entered into an agreement with the limited partnership to design a condominium complex and professional office building to be located in Spokane, Washington. The contract was signed on behalf of the limited partnership by its corporate general partner. Molander provided substantial architectural services to the partnership, but neither project was completed because of a lack of financing. Molander sued the limited partnership, its corporate general partner, the corporate limited partners, and Calvin Raugust individually to recover payments allegedly due him. Against whom can Molander recover? *Molander v. Raugust-Mathwig, Inc.*, 44 Wash.App. 53, 722 P.2d 103, Web 1986 Wash.App. Lexis 2992 (Court of Appeals of Washington)

Ethics Cases



14.8 Ethics When the Chrysler Credit Corporation (Chrysler Credit) extended credit to Metro Dodge, Inc. (Metro Dodge), Donald P. Peterson signed an agreement guaranteeing to pay the debt if Metro Dodge did not pay. When Metro Dodge failed to pay, Chrysler Credit sued Peterson on the guarantee and obtained a judgment of \$350,000 against him. After beginning collection efforts, Chrysler Credit learned through discovery that Peterson owned four limited partnership units in Cedar Riverside Properties,

a limited partnership. Chrysler Credit sued to obtain the money owed by Peterson from his interests in these other limited partnerships. *Chrysler Credit Corporation v. Peterson*, 342 N.W.2d 170, Web 1984 Minn.App. Lexis 2976 (Court of Appeals of Minnesota)

1. What is a personal guarantee?
2. Did Peterson act ethically in this case?
3. Can Chrysler Credit recover against Peterson's limited partnership interests?