

## Answer to Critical Legal Case 35.2

**35.2 Liability of Partners:** Molander can only recover against the assets of the limited partnership and its corporate general and limited partners. He cannot recover against Calvin Raugust personally. Under limited partnership law, a limited partnership is liable on its own contracts; in addition, the general partner is individually liable for the debts and obligations of a limited partnership. Limited partners may be held liable for the obligations of the limited partnership if the limited partnership has been defectively formed. Otherwise, limited partners' liability is limited to their capital contribution to the limited partnership.

The court held that the limited partnership had been defectively formed because the parties had not even executed the limited partnership agreement and a certificate of limited partnership had not been filed with the state as required by law. Thus, because of this defect the limited partners also became liable on Molander's contract. Thus, Molander can recover against the assets of the partnership, the assets of the corporate general partner, and the assets of the corporate limited partners. However, because all of these entities are corporations, Molander cannot recover against the shareholders of these entities. That is, Molander cannot recover against Calvin Raugust, the shareholder of the corporate general partner, individually. If the assets of these defendant corporate entities are insufficient to pay Molander's claim, he cannot recover against Raugust's personal assets. In reaching this conclusion, the court stated:

Few people are aware of the organizational intricacies of businesses with which they are dealing and unless there is an agreement to be personally liable, absent fraud or a similar basis, personal liability cannot be imposed just because a person seeks a corporate entity. A professional architect doing business in a complex financial world cannot escape the legal consequences of failure to protect himself by professing ignorances as to corporate and partnership liability. Subjective expectations or postdisaster wishful thinking is not a substitute for legal advice and appropriate contract language.

The Court of Appeals overturned the trial court's \$447,011 judgment against Calvin Raugust. Note: If Molander wanted to make Calvin Raugust personally liable for the architectural services, he should have required Raugust to sign a personal guarantee of the performance of the contract. *Molander v. Raugust-Mathwig, Inc.*, 44 Wn. App. 53, 722 P.2d 103, **Web** 1986 Wash. App. Lexis 2992 (Court of Appeals of Washington).