Question 11

In January 2015, Adam, Bill, and Chuck validly formed a Texas Limited Liability Partnership called ABC Partners LLP ("ABC"). ABC engaged in the for-profit business of selling customized outdoor gas barbecue grills. ABC’s written Limited Liability Partnership Agreement included the following terms:

- The only partners would be Adam, Bill, and Chuck.
- Adam would serve as ABC’s Managing Partner.
- Bill and Chuck would be jointly responsible for designing and manufacturing ABC’s products.
- None of the partners would be liable to third parties for any debt, obligation, or liability of ABC, whether arising in contract, tort, or otherwise.
- Adam would not be liable to ABC for negligence, gross negligence, or intentional misconduct in the performance of his duties as Managing Partner.

In February 2015, First Bank agreed to loan ABC $100,000 (the "Loan"). A promissory note designating ABC as "Borrower" and First Bank as "Lender" was signed on ABC’s behalf by Adam as "Managing Partner, ABC Partners LLP", and by Bill and Chuck, each as "Partner, ABC Partners LLP."

In June 2015, Customer was seriously injured when an ABC-manufactured grill exploded while Customer was attempting to ignite it. Several months before ABC sold the grill to Customer, both Bill and Chuck became aware of a defect in the design of the grill that might cause it to explode when ignited, but did nothing to fix it. They did not inform Adam about the defect, and Adam did not otherwise know or have reason to know of the defect’s existence. Customer filed suit to recover for his personal injuries, naming ABC, Adam, Bill, and Chuck as defendants.

In August 2015, ABC defaulted on the Loan. First Bank filed suit to recover the balance due on the Loan, naming ABC, Adam, Bill, and Chuck as defendants.

(1) Which of the named defendants can be held liable in Customer’s lawsuit and which cannot be held liable? Explain fully.

(2) Which of the named defendants can be held liable in First Bank’s lawsuit and which cannot be held liable? Explain fully.