If **WRITING**, answer Question 1 in the **GOLD** answer book.
If using **LAPTOP**, be certain you answer in the **correct** screen.

**QUESTION 1**

Shirt Co. ("Shirt"), a Texas general partnership, was formed by Ethel and Fred. Shirt was formed for the purpose of printing T-shirts bearing funny or satirical messages and selling them via the internet. The day after Shirt was formed, the following property was purchased:

- Ethel, using her own money, purchased a vehicle. Title to the vehicle was issued to "Ethel, Partner, Shirt Co."
- Fred, using his own money, purchased a T-shirt printing machine. The bill of sale shows "Fred" as the purchaser.
- Fred, using a check drawn on Shirt’s bank account, purchased 1,000 T-shirts from Vendor. The bill of sale shows "Fred" as the purchaser.

The week after Shirt was formed, without Ethel’s knowledge, Fred purchased 500 more T-shirts from Vendor with a check drawn on his personal account. Fred used the printing machine to print these 500 T-shirts with cartoons. Fred intends to sell these 500 T-shirts to customers via the internet and to keep the sales proceeds for himself. Fred did not have sufficient money in his checking account to cover the personal check written to Vendor and the check has been dishonored by Fred’s bank.

1. Who owns the vehicle, the printing machine, and the initial 1,000 T-shirts? Explain fully.

2. Has Fred violated any duty to the partnership? Explain fully.

3. Is Shirt liable to Vendor for the 500 T-shirts purchased by Fred using his personal check? Explain fully.

**Answer the next question in the GRAY answer book.**
BAR EXAM BOOT CAMP

Rules for use with Question 1 (July 2009)

1. Partnership property
   a. Property acquired in the name of one or more of the partners is partnership property if the
      instrument transferring title indicates the person’s capacity as a partner or the existence of the
      partnership.
   b. Property acquired in the name of one or more of the partners is that person’s property if the
      instrument transferring title does not indicate the person’s capacity as a partner or the existence
      of the partnership AND if it was not purchased using partnership funds.
   c. Property purchased with partnership funds is presumed to belong to the partnership.

2. Partners owe a duty of loyalty to partnership. The duty of loyalty requires that the partner must share any
   profits earned using partnership property with the partnership. This duty also requires that a partner not
   compete with the partnership.

3. A partnership is bound by a partner’s acts unless the partner does not have the authority to bind the
   partnership AND the person whom the partner is dealing with knows that the partner cannot bind the
   partnership.

4. In a general partnership, partners are jointly and severally liable, after partnership assets are exhausted,
   for all debts incurred by the partnership.

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