

Bailey Brauer Helps Secure Appellate Win in Texas Partnership Liability Battle

In a decision relying on the Fifth U.S. Circuit Court of Appeals' application of a 19th century court ruling to Texas general partnership liability law, an agricultural wholesaler will be allowed to enforce a judgment against individual partners of a defunct agribusiness partnership.

The partners of G&K Farms, a North Dakota-based general partnership formed in 2008 to farm land in Texas, amassed debts of nearly \$650,000 to Crop Production Services. G&K partners John and Dawn Keeley and Thomas Grabanski made payments on the debt until Grabanski and his wife filed for bankruptcy in 2013.

A default judgment was issued in 2014 against G&K Farms totaling more than \$1.3 million, with a subsequent judgment also issued against the Keeleys based on their derivative liability as partners.

In their efforts to vacate the judgment, the Keeleys relied on the 1872 U.S. Supreme Court ruling in *Frow v. De Le Vega*, which they felt protected them from individual liability after Keeley avoided a finding of liability based on a guaranty he signed. *Frow v. De Le Vega* determined that when there are multiple defendants, if some parties present a defense and win, then the ruling can be applied to defaulting parties under certain circumstances.

"The courts had already found that there was no logical application of *Frow* in this case. It was simply a very thinly veiled attempt by the Keeleys to avoid their responsibilities as partners in repaying the general partnership's debts," said CPS's lead appellate attorney Clayton Bailey of Dallas' **Bailey**

Brauer PLLC. “Crop Production Services’ trial attorneys, John Mark Stephens and Abel Leal, did a terrific job in the trial court demonstrating that the *Frow* doctrine did not apply.”

“This has been a protracted battle that should have been settled years ago. Nevertheless, this is a big win for CPS,” said Stephens of the Dallas law firm Johnson Stephens & Leal, PLLC, who represents CPS at trial along with partner Leal. “We are gratified that the Fifth Circuit saw through this smoke screen and affirmed the ruling of the district court.”

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