

CASE STUDIES

Trial Victory for LIHTC Investors

Litigation

Client industry: Real Estate

Type of case: Litigation

Court: U.S. District Court Middle District of Florida

Result: Defense verdict for client

After a three-day bench trial, Baker Donelson secured a defense verdict on all counts for a national real estate investment company. The plaintiff, a Tampa-based real estate developer that served as the general partner and property manager for two partnerships, was accused of repeated stealing/misappropriation of partnership funds over a number of years, which continued even after the general partners defaulted and were served notice for removal. Our client, the limited partners, also alleged the plaintiff improperly distributed cashflow and failed to provide timely financial and tax reporting.

The general partners had their own claims against the limited partners, seeking to invalidate the removals and claiming monetary damages. We responded to the general partners' lawsuits with claims seeking to confirm the June 2019 removal of the general partners of the two partnerships. Prior to trial, the general partners refused to entertain any offer allowing for its departure, and it made nuisance value offers to purchase our client's interest. We rejected those offers.

At trial, the court rejected all of the plaintiff's claims and removed the general partners from the two partnerships. The court dismissed the general partners' claims with prejudice and entered judgment for the limited partners declaring both general partners removed effective the date of entry of judgment. The court also declared the common property manager terminated effective 30 days from the entry of judgment. The court ruled that the general partners breached the partnership agreements and their fiduciary duties of loyalty, and committed willful/intentional misconduct, malfeasance, and misappropriation of funds, which were all material violations warranting removal. The court did not find any evidence of improper motive on the part of our client in pursuing the removals. After a December 2021 bench trial, the court issued the [trial decisions](#) on April 5, 2022, delivering a big trial win for the limited partners.