

**For Immediate Release****January 14, 2008**

**WLF URGES CALIFORNIA SUPREME COURT TO REVIEW
RULING EXPANDING PARTNERSHIP LIABILITY**
(Everest Properties II, LLC v. Prometheus Development Co.)

The Washington Legal Foundation (WLF) recently filed a brief in the California Supreme Court urging it to review and reverse a court of appeal's ruling that expanded legal liability for the first time of a general partner when proposing transactions involving the partnership property to ensure that the proposed transactions were "inherently fair" to the limited partners, despite those partners' approval of the transaction and California law, which allows a general partner to make a profit in dealing with partnership property.

In *Everest Properties II, LLC v. Prometheus Development Co.*, the general partner of the limited partnership, Prometheus Development Co., went to great lengths to fully disclose the facts and the conflict of interest involved in the proposed merger of the limited partnership. Those efforts included, *inter alia*, the filing of detailed proxy statements with the Securities and Exchange Commission (SEC) following extensive and thorough review of the proxy materials by the SEC, with revisions made to the proxy materials in response to the SEC's suggestions. The limited partner conceded that the conflict was fully disclosed, that California law permits a general partner to benefit from a partnership transaction, and that a majority of the partners approved the transaction.

Despite this procedural fairness, the court of appeal explained that a general partner is a fiduciary who not only must act in good faith, but also must show the transaction's "inherent fairness from the viewpoint of the corporation and those To reach this result, the court of appeal improperly extended the "inherent fairness doctrine," heretofore applicable only in corporate context between majority and minority shareholders, to the partnership context. As WLF argued, that ruling stands in stark contrast to the holding of another court of appeal and two U.S. District Court rulings interpreting California law, one of which involves the very same dispute as the instant case. The Court has until February 4, 2008, to decide whether it will take the case.

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For information, contact Paul Kamenar, WLF's Senior Executive Counsel, at 202-588-0302. WLF's brief is posted on its website at www.wlf.org.