

STATE OF MINNESOTA
COUNTY OF HENNEPIN

DISTRICT COURT
FOURTH JUDICIAL DISTRICT

Margaret Liao and Ben Liao,
Plaintiffs,
vs.

Case File No. 27-CV-21-15268
Case Type: Civil Other/Misc.
Judge: Karen A. Janisch

M&S Properties, LLC, Mohammad Sabri,
Samrina Sabri, Yara Sabri, and Nour Sabri,
Defendants and
Counterclaimant.

**FINDINGS OF FACT, CONCLUSIONS
OF LAW, ORDER**

This matter before Judge Karen A. Janisch on May 22, 23, 24 and 30, 2023 for a Court Trial on Plaintiff Margaret Liao and Ben Liao’s claims against M&S Properties, LLC, Mohammad Sabri, Samrina Sabri, Yara Sabri and Nour Sabri.

Christopher M. Daniels, Esq. and Gregory Arenson, Esq., appeared on behalf of Plaintiffs Margaret Liao and Ben Liao.

Peter Gleekel, Esq., appeared on behalf of Defendants M&S Properties, LLC, Mohammad Sabri, Samrina Sabri, Yara Sabri, and Nour Sabri.

OVERVIEW

The trial addressed the claims of Plaintiffs Ben Liao (“B. Liao”) and Margaret Liao (“M. Liao”) (jointly the “Liaos”) related to their claim of a continuing membership interest in Defendant M&S Properties, LLC (“M&S”). The Liaos allege Defendants Mohammad “Hamoudi” Sabri, (“M. Sabri”), Samrina Sabri (“S. Sabri”), Yara Sabri (“Y. Sabri”), and Nour Sabri (“N. Sabri”) (collectively, “Sabri family members”) acting with M&S wrongfully denied the Liaos membership in M&S and deprived them of their share of financial benefits from M&S provided to the Sabri family members. The Liaos seek a declaration of their continued interest in M&S, and equitable relief including, a buyout, monetary damages for distributions they should have received, and payment of their attorneys’ fees and costs. Defendants acknowledge the Liaos

as initial members in M&S but deny they retained membership in M&S. Defendants assert the Liaos assigned their membership interests in M&S in transactions occurring in November 2015 and March 2016.

The transcript was delivered to the parties by the Official Court Reporter of Hennepin County District Court on July 24, 2023. The Court ordered service and filing of closing arguments through post-trial briefs (optional); and service and filing of Proposed Findings of Fact, Conclusions of Law and Order. The Court granted the parties' mutual request to extend the initial timelines set at the end of trial. The parties filed their submissions on September 11, 2023 and the Court took the matter under advisement.

Based upon the evidence demonstrated at trial, the submissions of counsel, and the files, records, and proceedings herein, the Court, being fully advised in the premises, hereby makes the following Findings of Fact and Conclusions of Law, and Order.¹

FINDINGS OF FACT²

A. Parties.

1. Defendant M&S Properties, LLC (M&S) is a limited liability company organized under the laws of the State of Minnesota, with its principal place of business at 5775 Wayzata Boulevard, Suite 620 Minneapolis, Minnesota 55416.

2. Plaintiff Margaret Liao ("M. Liao") is an individual, in her mid-seventies, who resides in Plymouth, Minnesota. She is a Chinese immigrant and English is her second language. M. Liao holds an undergraduate degree from a Chinese institution and earned a masters' degree in counseling from Mankato State University. M. Liao has lived in the United States since the 1970s and was able to provide testimony in English without an interpreter.

¹ Any Finding of Fact more appropriately considered a Conclusion of Law, or Conclusion of Law more appropriately considered a finding of fact should be considered as such. *See Dailey v. Chermak*, 709 N.W.2d 626, 631 (Minn. App. 2006), *rev. denied* (Minn. May 16, 2006).

² All Findings of Fact are based on the Court's consideration of the evidence as a whole including the Court's credibility determinations and reasonable inferences from the evidence and are made applying the preponderance of the evidence standard. Exhibit references may be included to provide context to a finding. Reference to an exhibit does not mean the finding is based solely on the content of the exhibit.

3. Plaintiff Ben Liao (“B. Liao”) is an individual, in his late seventies, who resides with his spouse, M. Liao in Plymouth, Minnesota. B. Liao is a Chinese immigrant and English is his second language. He has lived in the United States for a significant period of time and was able to provide testimony in English. It became apparent during trial he has significant hearing loss, and possible age related memory issues. Even with an assistive device to amplify sound, it was unclear if he fully heard and understood all of the questions and proceeding. B. Liao earned a degree in mechanical engineering from Ohio State University. He worked for a time in mechanical engineering, ultimately transferring to work in the insurance industry for his primary career.

4. The Liaos, specifically M. Liao, has significant experience in owning and operating small businesses. The Liaos owned and operated two restaurants for many years and have also been involving in several other limited liability corporations (“LLCs”) including LLCs involved in real estate, development and management. In 2012, the Liaos obtained real property located at 640 E Lake Street, Minneapolis from Edina Investment Group, forming Formosa Group (an S Corp) to own the property and gas station on the property. The Liaos also bought into Lake Street Express, LLC, a Sabri family entity involving Mona Sabri. These businesses continued operations until 2020, when the civil unrest in Minneapolis following the murder of George Floyd resulted in closing. In approximately 2018, the Liaos purchased real property from M. Sabri for \$400,000.00 which they continue to own through ChiMexico Properties LLC. Through the numerous business entities they have created, and operated in Minnesota, the Liaos are generally familiar with the requirements for establishing and operating business entities. Attempts to portray them as inexperienced or unsophisticated individuals in relation to businesses and business investment in relation to M&S was not credible.

5. The individual Sabri Defendants are all related family members.

6. Mohammad Omar Sabri, a/k/a Hamoudi Sabri (“M. Sabri”), is an individual who resides at 6813 Creston Road, in Edina Minnesota, where he has resided for approximately 25 years. The home is titled only in his spouse, Mona Sabri’s name. Mona Sabri has not lived on the property since 2018. M. Sabri is also an immigrant for whom English is a second language. He does not hold a college degree.

7. Although M. Sabri does not have significant formal education, he has decades of experience in starting businesses and in operating businesses involved with real estate and real properties, including the specific real properties held by M&S. M. Sabri has been associated for decades with owning and operating many LLCs in Minnesota related to real property investment and management and in creating and using various business entities with common ownership to move money and assets. The attempts at trial to portray himself as not understanding businesses and business related documents was not credible. In addition, his claim that he could not read or understand written English was not credible.

8. Samrina Sabri (“S. Sabri”) is M. Sabri’s oldest child, born in July, 1990. S. Sabri has a degree from St. Olaf College. S. Sabri has lived in California for approximately 8 years and currently resides in Los Angeles, California with her sister, Sabri and mother. S. Sabri has been involved, off and on, as a member, officer and governor of M&S and has also been named as a member, manager and/or officer in a number of other Sabri family business entities.

9. Yara Sabri (“Y. Sabri”) is M. Sabri’s child, born May, 1993. She holds a college degree from the University of Southern California in 2016. She lived in Minnesota at the family home from approximately January 2018 – July 2019 when she moved to New York. Around March 2020, during the pandemic, she moved to Los Angeles California to live with her sister and mother, where she continues to reside. Y. Sabri has been involved as a member, officer and/or governor of M&S since 2014, and has also been named as a member, manager and/or officer in other Sabri family related business entities.

10. Nour Sabri (“N. Sabri”) M. Sabri’s youngest child and was born in 1995. She graduated from high school in 2014 and earned a college degree from the University of San Diego in 2018. After college she lived for a few months in Minnesota and in Chicago, Illinois. She then lived in Washington D.C. until 2022, when she moved to New York, New York, where she currently resides. N. Sabri has been identified in tax records as holding a nominal 1% membership interest in M&S as of 2013 (when she was a high school student).

11. N. Sabri is identified in M&S tax records from later years as holding larger membership interest in M&S with Y. Sabri and S. Sabri, (and ultimately James Knoll). N. Sabri is also named as holding member, manager and/or officer positions with M&S in other Sabri family business entities. N. Sabri did not ask to hold any of these interests or positions and considers herself a “silent” partner. She did not contribute money or property to M&S and is unaware how she was named a member or how her stated interest changed in M&S or how she was named to other Sabri family entities..

12. James Knoll (“Knoll”) is a CPA licensed in the State of Minnesota and other states. Knoll began working with M&S and other Sabri family entities in 2016 as a CPA. He made a financial contribution to M&S in 2021 for the purpose of obtaining a membership interest in M&S. Knoll is not a named party in this action.

B. Formation of M&S.

13. The Liaos met M. Sabri through a friend around 2011-12. At that time M. Sabri was looking for money, which was loaned by the Liaos. Since then, they have been involved in other transactions and businesses with M. Sabri, and other business entities related to M. Sabri and with Mona Sabri.

14. M&S’s business relates to its ownership, leasing and management of real properties. The properties include income producing properties. M&S’s properties were previously owned and managed by M. Sabri and other business entities involving M. Sabri and were the subject of significant litigation including the case of *Thomas Investments, LLC et al v. Cedar Lake Revival LLC. et al.*, Court File No. 27-CV-09-29347) (“Thomas Collection Litigation”). (*Exh. 102*).

15. The Thomas Collection Litigation involved claims by Thomas Investments LLC and Susan Thomas against Cedar Lake Revival, LLC; M. Sabri; CLR Holding, LLC; 1709 E. Lake, LLC; 1809 East Lake, LLC; 1822 East Lake, LLC; 4009 East Lake, LLC; 3005 Cedar, LLC; Lake Cedar Revival, LLC; Ames Investment Corporation, LLC; and Jeffrey A. Sowada. (*Id.*) The Thomas Collection Litigation arose from efforts of the Thomas plaintiffs to collect a judgment obtained against M Sabri in earlier litigation, Court File: 27-CV-09-19892. (*Id.*) The

Thomas Collection Litigation, involved claims that M Sabri, and others, used the various entity defendants to engage in improper transfers of assets and funds to obfuscate the Thomas Plaintiffs' ability to collect on the judgment obtained in Court File keep the real estate assets out of reach of the Thomas plaintiffs for collection of their judgment obtained in Court File: 27-CV-09-19892. (*Id.*)

16. The trial court in the Thomas Collection Litigation determined the various entities were continuations of M. Sabri's prior entities that gave rise the Thomas Plaintiffs' judgment, and pierced the corporate veil of the corporate and LLC entities providing for those entities liability and individual liability by M. Sabri and Sowada in the amount of \$2,698,029.71. (*Id.*; *Exh. 103*).

17. In April, 2013, M. Sabri participated in reaching a global settlement with the Thomas Plaintiffs ("Thomas Settlement") (*Exh. 109*). The Settlement Agreement is lengthy and complex and involved other pending lawsuits involving M. Sabri, and Sabri related business entities, including business entities in which Y. Sabri, S. Sabri and Mona Sabri were named as holding interests. The Thomas Settlement was signed by numerous parties including, M. Sabri, S. Sabri, Y. Sabri and Mona Sabri. The Thomas Settlement required an initial settlement payment of \$550,000 from the Sabri parties within 30 days. Additional future payments were also required within 90 days of the settlement. (*Id.*)

18. It was within the context of the settlement payment requirements that M. Sabri's approached the Liaos about providing funds to M&S, a newly formed entity. Their contribution be used to fund the Thomas Settlement and, in exchange, M. Sabri and entities associated with the prior litigation would transfer to M&S ownership in certain real properties involved in the Thomas Litigation. The agreement was for the Liaos to each receive a 10% membership interest in M&S for \$ 500,000.00 contribution.

19. M&S was formed on April 15, 2013 by the filing of the Articles of Organization with the Minnesota Secretary of State. (*Exh. 8*). In anticipation of their obtaining funds for their contribution, on April 18, 2013, B. Liao, M. Liao and S. Sabri signed the Member Control Agreement ("MCA") and Operating Agreement for M&S. (*Exhs. 3 and 4*) Schedule A to the MCA identified the members of M&S, contribution and voting interests as

S. Sabri	\$800	80%
B Liao	\$100	10%
M Liao	\$100	10% ³

(*Exh. 3*).

20. On April 18, 2013, B. Liao, M. Liao and S. Sabri signed a unanimous written action of the Governors and Members of M&S that authorized S. Sabri as the "Chief Manager of the Company" to execute documents for a promissory note and mortgage on the 640 E Lake Street property in pursuit of \$450,000.00 loan from Verburgt Holdings, LLC. (*Exh. 2*). It appears the Liaos explored funding their contribution through a transaction involving the gas

³ As of April 15, 2013, neither the Liaos nor S. Sabri had made any financial contribution.

station property they owned through Formosa Group, but that this did not come to fruition. This document reflects the Liao and S. Sabri's express knowledge of M&S requirement for governor/member approval for taking actions on behalf of M&S, and the S. Sabri, not M. Sabri was the "chief manager."

21. The Liao's raised the funds and made the full \$ 500,000 contribution to M&S by May 6, 2013. In response, M Sabri accomplished the transfer to M&S of certain real properties previously involved with Sabri family entities in in the Thomas Litigation and M&S obtained title to the following parcels of real property:

Parcel 1: The East 82 feet of Lots 1, 2 and 3, Blecken's Subdivision of Lot I. J.G. Lennon's Outlots to Minneapolis, Hennepin County, Minnesota. (Abstract property). Property Address: **1817 Lake Street East**, Minneapolis, MN 55407.

Parcel 2: The East 23.63 feet of Lots 17, 18, 19 and 20, Blecken's Subdivision of Lot I, J.G. Lennon's Outlots to Minneapolis, Hennepin County, Minnesota. (Abstract property). Property Address: **1809 ½ Lake Street East**, Minneapolis, MN 55407

Parcel 3: Lot 4, Blecken's Subdivision of Lot I, J.G. Lennon's Outlots to Minneapolis, Hennepin County, Minnesota. (Abstract property). Property Address: **3008 Cedar Avenue South**, Minneapolis, MN 55407.

Parcel 4: Lots 8 through 12 inclusive, Block 4, Minnehaha Addition to Minneapolis, Hennepin County, Minnesota. (Abstract property). Property Address: **1825 Lake Street East**, Minneapolis, MN 55407.

Parcel 5: Lots 4, 5 and 6, except the Westerly 41 feet of Lot 6, Block 2, "Dorsey's Addition to Minneapolis", Hennepin County, Minnesota. (Abstract property). Property Address: **1822 Lake Street East**, Minneapolis, MN 55407

Parcel 6: The West 41.63 feet of Lots 1,2 and 3, Blecken's Subdivision of Lot I, J.G. Lennon's Outlots to Minneapolis, Hennepin County, Minnesota. (Torrens Certificate No. 1225514). Property Address: **1813-1815 Lake Street East**, Minneapolis, MN 55407.

Parcel 7: The East 44 feet of Lots 13 and 14, Subdivision of Block 16, J.G. Lennon's Outlots to Minneapolis, Hennepin County, Minnesota. (Abstract property). Property Address: **1709 Lake Street East**, Minneapolis, MN 55407.

Parcel 8: Lots 5 through 8, Block 2, Blocks One and Two of Seven Oaks, Minneapolis, MN, Hennepin County, Minnesota. (Torrens Certificate No. 1216641 (Lots 5 and 6, Block 2, Blocks One and Two of Seven Oaks, Minneapolis, MN) and Abstract property). Property Address: **4009 Lake Street East**, Minneapolis, MN 55407.

(Exh. 135).

22. M&S received an additional parcel, Parcel 9, Sowada and Woodville, LLC, which were also litigants in the Thomas Collection Litigation and consisted of:

Parcel 9: Lots 8, 9 and the North 1 foot of the West 94.63 feet of Lot 10 and that part of Lot 7 lying South of North 25.5 feet thereof, Block 24, SOUTH SIDE ADDITION, Hennepin County, Minnesota, except for alley. (Abstract property). Property Address: **2932 28th Avenue South**, Minneapolis, MN 55406.

(id.).

23. On July 8, 2013, using the properties as collateral, M&S obtained a \$2,350,000 loan from Venture Bank. (*M. Liao Dec., Exhs. 7, 8*). Acting as members of M&S, the Liaos agreed to sign personal guaranties for the loan. (*Exhs. 6, 7, 138*). The Liaos also allowed a \$150,000 certificate of deposit to be used as collateral for the loan. (*Exh. 138*).

24. As evidenced by the Venture Bank loan, the real properties' value exceeded the \$ 500,000 M&S payment for their acquisition. Despite there being excess value, M&S records do not ascribe any contribution value to the excess value of the properties transferred to M&S.⁴

25. With the exception of Parcels 8 and 9, M&S continued to own the remaining parcels when the Liaos commenced this action in 2021. (*See Exh. 353*). Parcel 8 (**4009 Lake Street East**), was sold in 2016 to a third party. (*Exh. 200*). The Liaos were aware of this transaction when it occurred because they signed a consent for Venture Bank in relation to the sale.

26. In 2017, M&S transferred Parcel 9 (**2923 28th Avenue South**) to Longfellow Parking, LLC, a separate Sabri family entity owned by S. Sabri, Y. Sabri and N. Sabri. Knoll testified that this transfer was made for a "book" value of \$200,000.00 and that no money changed hands.

C. MCA and Operating Agreement

27. B. Liao, M. Liao and S. Sabri did not participate in drafting or directing the drafting of M&S MCA or Operating Agreement. M. Sabri, "Dafney," M. Sabri's assistant for approximately 20 years and attorney Dick Morris, were involved in directing the drafting of and drafting of documents for M&S. S. Sabri, B. Liao and M. Liao signed the documents without reading or understanding their content. S. Sabri and M. Liao each signed the document twice, once as governors and once as members while B. Liao signed the document as a member. (*Exh. 4*). The Liaos and S. Sabri were each provided copies of the MCA and Operating Agreement for M&S. (*Exh. 8*).

28. The Operating Agreement provided that, unless otherwise authorized by the members consistent with the MCA or unanimous vote of the members, the business and affairs of M&S were to be managed and directed by a Board consisting of one or more governors. (*Exh. 4, § 2*). The MCA designated B. Liao, M. Liao and S. Sabri as the governors for the Board for M&S. (*Exh. 3, § 2*). Business actions required a vote of the majority of governors. (*Exh. 4, § 2.09*).

⁴ The evidence suggests the 2013 Venture Bank loan funds were likely obtained to, in part, fund the Thomas Settlement involving the real properties. The use of the loan funds in 2013 is not at issue before the Court.

29. The MCA designated S. Sabri as the President and Chief Manager; M. Liao as the Chief Operating Officer; and B. Liao as the Treasurer. (*Exh. 3*).

30. B. Liao, M. Liao and S. Sabri were each “members” and “governors” within the meaning of the MCA and Operating Agreement.

31. As to taxes, M&S was required to deliver to each Member during the year a Form K-1 and other documents related to taxes and including each “Member’s share of income, gain, or loss.” (*Exh. 3, § 5*).

32. Section 6 of the MCA is lengthy and governs transfers of Member shares. (*Id. § 6*). Section 6 governs any voluntary assignment, sale, gift, pledge, or encumbrance of any part of a Membership Interest and requires the affected Member or assignee to provide M&S with written notice of all material terms and the name and address of the proposed purchaser or assignee. (*Id. § 6.1(a)*). Prior to any transfer, an option must be given to M&S and the remaining members and timelines for the options. The MCA precludes any transfers without providing the options or on terms more favorable than those first offered to M&S and other members. (*Id.*). The MCA restricts assignment to third parties and provides that M&S “shall recognize the Assignees as the holder of such Option Interest if and only if:” the seller and assignee “deliver to the Board of Governors instruments of the assignment in form and substance satisfactory to the board and legal counsel;” that the seller or assignee pay “a transfer fee” to cover the costs of the assignment process; and that the seller provides the Board with assurances the assignment “complies with any applicable state and federal securities laws.” (*Id. § 6.6*). An assignee of Membership Interests is required by the MCA to comply with the provisions of Sec. 6.8 of the MCA to have a right to be substituted as a Member and substitution of the Assignee as a Member “be approved in writing by all of the Members other than the Seller.” (*Id.; Exh 5, § 6.8*).

33. Any modification or change to the terms of the MCA must be “contained in a writing signed by Members owning more than 70% of the Membership Units.” (*Exh. 3 § 7.1*).

D. The Liaos Relationship and Expectations Related to M&S.

34. Despite the unambiguous language of the MCA and Operating Agreement, Neither the Liaos or S. Sabri (or Y. Sabri in 2014) read the MCA and Operating Agreement or made any effort to understand their obligations to one another and to M&S as members, officers and governors of M&S.

35. Neither the Liaos or S. Sabri were employees or performed paid services for M&S, or any companies related to M&S properties. S. Sabri was 22-years old and had not asked to be a member, officer or board member for M&S. She acted at the direction of M. Sabri, his assistant or attorneys. S. Sabri’s actions as President or Chief Manager for M&S consisted exclusively of signing documents sent to her for signature. S. Sabri did not draft or request the drafting of these documents from others. The Liaos knew S. Sabri was named as the managing officer for M&S, yet the Liaos and S. Sabri understood and accepted that M. Sabri, his assistant and others were primarily directing the business affairs and handling of M&S’s funds and assets.

36. Because M. Sabri was not a member, officer or governor of M&S, he had no authority to act on behalf of M&S, sign binding agreements, or tax returns. There is no evidence M. Sabri's actions were formally ratified by M&S through corporate action.

37. The Liaos knew or should have known that the foundational documents of M&S established M&S as Board governed and that they were designated as governors and officers in M&S. Because they did not pursue or act on their roles as governors and officers of M&S, they share responsibility for M&S failures to follow the LLC formalities in its business activities. In the formational documents accepted and signed by the Liaos, they agreed to serve as officers in relation to M&S operations and finances. They made no effort to understand these formally designated roles, or to fulfill their own obligations to M&S and S. Sabri in relation to these roles.

38. This shared responsibility is established as to M&S's corporate formalities and acceptance and deference to M. Sabri in relation to business operations. They do not share responsibility in relation to actions related to the denial of their membership interests.

E. The Liaos Additional Financial Contributions to M&S.

39. In 2013 and into 2014, M. Sabri asked the Liaos to provide additional funds to M&S, which the Liaos made by writing they issued to M&S deposited into M&S's Venture Bank account as follows:

June 29, 2013	\$ 50,000.00
July 8, 2013	\$ 10,000.00N
Oct. 17, 2013	\$ 25,000.00
Oct. 23, 2013	\$ 10,000.00
Nov. 5, 2013	\$ 20,000.00
Nov. 19, 2013	\$ 10,000.00
Dec. 26, 2013	\$ 10,000.00
Total	\$135,000.00

(Exhs. 106 and 146).

40. Since their initial contribution, M&S has not paid the Liaos any reimbursement for their contributions or any distributions, profits or reimbursements.

F. M&S's Early Problems with Venture Bank Loan.

41. M&S struggled to stay current on the Venture Bank Loan and was notified on multiple occasions in late 2013, 2014 and 2015 that it was in default on the loan. *(Exh. 148, 156, 170)*. Communications with Venture Bank were frequently directed to M. Sabri despite his not having an authorized role with M&S. *(See, e.g., Exhs. 148, 156)*. At no time during these interactions with Venture Bank did M. Sabri, S. Sabri, Y. Sabri or N. Sabri suggest to the Liaos or Venture Bank that the Liaos were no longer members of M&S.

42. In working with Venture Bank, M. Sabri requested and the Liaos agreed to allow Venture Bank to liquidate their \$150,000 Certificate of Deposit held as collateral for the loan.

Sabri promised to repay the \$150,000 to the Liaos within a year and gave them a Promissory Note. (*Exhs. 13, 172*).

43. As guarantors on the Venture Bank loan, the Liaos were reasonably concerned about defaults and made repeated requests through M. Sabri for financial information regarding M&S including copies of tax returns. Neither M&S nor M. Sabri provided the Liaos with tax returns or any other form of financial information about M&S.

G. Membership Asserted in Tax Filings and Purported Transfers of Membership Interests Between Sabri Family Members.

44. M&S did not initially file timely business tax returns. The first returns for M&S were prepared by Steven Johnson, CPA and dated April 4, 2015. (*Exh. 162*). S. Sabri signed the 2013 return on December 16, 2016. (*Exh. 441*). M&S's 2013 Tax Return does not identify the Liaos as members of M&S and the K-1 schedule states S. Sabri as 99% owner of M&S and N. Sabri as 1% owner.

45. There are no records of any assignment or transfer of the Liaos' membership interests to S. Sabri or to N. Sabri. S. Sabri, N. Sabri and M. Sabri testified that they had no knowledge as to any 2013 transfer of the Liaos' membership interests, how or why the 2013 Tax Return identified S. Sabri as holding 99% and N. Sabri as holding 1% of the interest in M&S. There were no corporate records maintained by M&S in relation to a transfer or membership interests. The assertions in the 2013 Tax Return signed by S. Sabri are false. S. Sabri had knowledge the Liaos were members of M&S in 2013 and that she had not taken action to change membership. S. Sabri should have known at that time that the transfer of ownership stated in the 2013 Tax Return documents was incorrect.

46. M&S's 2014 Tax Return dated September 15, 2015 was prepared by Johnson. (*Exh. 169*). M. Sabri signed this document under penalty of perjury on behalf of M&S. (*Id.*) M. Sabri identified his authority to sign as "general partner or limited liability member manager." (*Id.*) There is no evidence supporting that M&S ever took any formal action to grant M. Sabri authority to act on its behalf in any capacity.

47. M&S's 2014 Tax Return identifies the only members of M&S in 2014 as Y. Sabri as 99% owner and N. Sabri as a 1% owner. The K-1 schedule reflects these share of M&S income, profits and losses as between S. Sabri and N. Sabri. (*Id.*) Neither Y. Sabri or N. Sabri have any knowledge of why they were identified as members or how their identification as members occurred.

48. S. Sabri recalled attempting to assign her interest to Y. Sabri because she was moving. Exhibit 153, purports to be an "Assignment of Membership Interests, but is facially invalid. The document signed by S. Sabri asserts the membership interest are owned by M&S and assigned to M&S. (*Id.*) S. Sabri would have known if the Liaos membership and involvement in M&S and would have or should have known on January 24, 2014 that she did not own 99% interest in M&S and could not assign such an interest to M&S or Y. Sabri.

49. Knoll began preparing M&S tax returns starting with 2016. The subsequent returns continued to deny the Liaos membership interests. During the years, the purported

allocation of membership interests as between Y. Sabri, S. Sabri and N. Sabri, and ultimately including Knoll, and for a time, Mona Sabri changed with each filing, none of the purported changes were approved through an action taken consistent with the MCA or Operating Agreement for M&S. The reported membership interest in M&S's Tax records were:

MEMBERSHIP PERCENTAGES PER M&S'S TAX RETURNS AND K-1s						
Exh	Year	Samrina	Yara	Nour	Mona	Knoll
441, 162	2013	99%		1%		
169	2014		99%	1%		
194	2015		99%	1%		
227	2016	33.333%	33.333%	33.333%		
242	2017	33% 5% profit/loss	33% 89% profit/loss	33% 5% profit/loss	1% 1% profit/loss	
267	2018	33% 5% profit/loss	33% 45% profit/loss	33% 5% profit/loss	1% 45% profit/loss	
304	2019	33.333% 5% profit/loss	33.333% 90% profit/loss	33.333% 5% profit/loss		
329	2020	33.333% 5% profit/loss	33.333% 90% profit/loss	33.333% 5% profit/loss		
406	2021	24% 31% profit/loss	24% 57% profit/loss	24% 5% profit/loss		28% 7% profit/loss

50. The Liaos were not provided copies of the any of the M&S Tax Return or K-1 schedules until required in relation to litigation. During this time the Liaos continued to have contact with M. Sabri and from time to time, the Liaos made requests for copies of tax returns and financial information about M&S. M. Sabri would promise to provide the documents, but then would come up with excuses for delays. Whether requested by the Liaos, or not, the Liaos were entitled under the MCA to timely receive the tax records for M&S.

H. November 2015 -- Liang LLC Assignment.

51. Defendants admit the Liaos were established as members of M&S as of April 15, 2013 and continued to be members of M&S up to November 2, 2015. (*Exh. 397, Adm. 1 and 5*). In late 2015, the Liaos were interested in getting out of their interest in M&S and discussed this with others including M Sabri. On November 2, 2015, M. Sabri presented the Liaos with documents to assign their membership interests in M&S to Liang, LLC in exchange for payments on a promissory for \$650,000.00. In presenting these documents, M. Sabri did not inform the Liaos that he had recently signed tax returns that excluded their membership interests.

52. The Liaos signed the Assignment of Membership Units (“2015 Liang Assignment”); and received the Promissory Note from Liang, LLC. (*Exhs. 12 and 13*). The documents were signed by Hugo Chow on behalf of Liang LLC. The Liaos were acquainted with Hugo Chow and his spouse through the Chinese community and prior business interests. The Liaos had previously introduce Hugo Chow to M. Sabri.

53. Before the first payment was due under the Liang Assignment, the Liaos understood that Liang LLC no longer wanted to proceed. No payment was ever made by Liang LLC to the Liaos, that the assignment was ever presented to M&S or any reported member of M&S as required by the MCA, approved by M&S or any member of M&S or that M&S ever declared, recognized or took any action consistent with Liang LLC being a member of M&S. S. Sabri, Y. Sabri and N. Sabri each testified they were not aware of any transactions or involvement of Liang LLC with M&S.

I. March 16, 2016 Termination of Assignment to Liang and Purported Assignment to Chows LLC.

54. M. Sabri thereafter proposed a formal termination of the Liang LLC transaction and pursuance of a new transaction with “Chows, LLC.” On March 16, 2016, at a meeting at U.S. Bank in Edina, the Liaos met with M. Sabri who presented them with already prepared documents for their signature including:

- 1) Termination of Assignment of Membership Units Agreement;
- 2) Satisfaction of Promissory Note (regarding the 2015 Liang Note);
- 3) Assignment of Membership Units (“Chows Assignment”); and
- 4) Commercial Promissory Note (“Commercial Promissory Note”).

(*Exhs. 15-18*).

55. The Liaos signed the Termination of Assignment of Membership Units Agreement, Satisfaction of Promissory Note and the Chows Assignment. (*Exhs. 15-17*). Hugo Chow signed the Termination of Assignment on behalf of Liang LLC and signed the Chows Assignment and Commercial Promissory Note on behalf of Chows LLC. (*Exhs. 15, 17-18*). Hugo Chows’ signature on the Commercial Promissory Note was as “Manager” for Chows LLC. (*Exh. 18*). For reasons not adequately explained by credible evidence in the record, M. Sabri also signed the Commercial Promissory Note. (*Exh. 18*). The Commercial Promissory Note was not signed by either of the Liaos. (*Id.*) In relation to this transaction, M. Sabri never told the Liaos that he had any interest or role in relation to the transaction, assignment or payment of the note, or that had any relationship with Chows LLC or any business entity involved in the transaction.

56. The Chows Assignment expressly represents “Chows, LLC” is “a limited liability company organized and existing under the laws of the State of Minnesota.” (*Exh. 17*). It was reasonable for the Liaos to rely on this statement in believing Chows, LLC existed as a legal entity and was capable of entering a contract as Chows LLC.

57. Hugo Chow was not called as a witness. When the Chows Assignment and Commercial Promissory Note were executed, Chows LLC did not exist as a Minnesota legal

entity. There is no evidence Hugo Chow, M. Sabri, or anyone else associated with the 2016 Chows Assignment and Commercial Promissory Note ever formed Chows LLC as a legal entity during this time or attempted to do so. There is no credible evidence in the record that Hugo Chow intended to enter a transactions with the Liaos or M&S in his individual capacity.⁵ There is no evidence that Hugo Chow, or any other person purporting to represent Chows LLC, or any related entity had any further contact with the Liaos in relation to the purported transaction or promissory note. No payments were ever made by any person or entity to the Liaos in relation to the promissory note.

58. The record includes a document dated March 30, 2016, signed by Hugo Chow and M. Sabri purporting assignment of 20% membership interest in M&S, from Chows LLC to M&S. (*Exh. 19*). The signatures are problematic. Hugo Chow signed the document on a signature line purporting himself as a “Manager” of M&S. (*Id.*) There is no evidence he was ever a manager of M&S. M. Sabri wrote in a signature line for himself as “Chief Manager.” M. Sabri acknowledged he was not ever a manager or authorized to sign documents for M&S. There is no corporate record of M&S related to this purported transaction, any documents or evidence of attempted compliance with the MCA or Operating Agreement in relation to a transfer of membership interests. M&S’s 2016 Tax Returns and supporting documents do not identify Hugo Chow, Chow’s LLC, or M. Sabri as members or owners in M&S.

59. S. Sabri, Y. Sabri and N. Sabri were unaware of any transactions involving Hugo Chow. There were not presented with and did not act to approve any transfer of membership interests related to Hugo Chow or Chow’s LLC, of membership interests from Chows LLC to M&S.

60. On March 2016, Hugo Chow knew Chows LLC did not exist as a legal entity and that he was not a manager of M&S or Chows LLC. Under the circumstances of M. Sabri knew or should have known that Chows LLC was, at most, an anticipated future entity (if not a total fiction), and the actions to create it as a viable legal entity had not occurred. In any portion of the transaction, it was not reasonable for M. Sabri or Hugo Chow to believe an assignment and transfer of the Liaos membership interests occurred.

61. After March 2016, there was no change in the manner in which M&S, M. Sabri and others associated with M&S interacted (or did not interact) with the Liaos. Actions by M&S after March 2016 were consistent with their continuing to hold membership interest in M&S. In July 2016, M&S wanted to sell one of its properties secured by a mortgage with Venture Bank. Venture Bank communicated with the Liaos asking for their approval to sell the M&S Asset, which M&S was aware of and the Liaos consented to the transaction. (*Exh. 200*).

62. In August 2016, M&S sought to renew the \$2,350,000 Loan with Venture Bank. M. Sabri signed a request for the renewal with Venture Bank. (*See Exh. 205*). Venture Bank communicated to M. Sabri the need for the Liaos to renew their personal guaranties and sent

⁵ There were not issues raised at trial as to whether Hugo Chow had authority to transact business on behalf of Liang, LLC. However, because he signed both the 2015 Liang Assignment and Note and the Termination of the Assignment, he would be equally without authority to have entered the transaction which was later terminated.

renewal related forms to M. Sabri, who forwarded the forms to the Liaos and S. Sabri for signatures.

63. The Liaos believed themselves to be members of M&S and in reasonable reliance on their continued membership interest renewed their personal guaranties. They were asked to and cooperated twice in signing the necessary agreements in August and again in September 2016 because of a change in the loan period.

J. Late 2016 MCA, Operating Agreement and IRS Audit.

64. In November 2016, S. Sabri, Y. Sabri and N. Sabri signed a new MCA and Operating Agreement for M&S. (*Exh. 5*).

65. Under the terms of the 2016 Operating Agreement, Y. Sabri, S. Sabri and N. Sabri were identified as equal one-third owners of M&S and designated Knoll and Y. Sabri as the governors of M&S. (*Id.*) Y. Sabri was designated as CEO, Knoll as CFO and S. Sabri as Secretary. (*Id.*)

66. In 2016, the IRS also undertook an audit of M&S's 2013 and 2014 Tax Returns, which lasted multiple years. No correction of the returns was made to identify the Liaos as each holding 10% of the membership interest. The Liaos were never informed by M&S of the audit or the results of the audit.

67. The audit resulted in S. Sabri being responsible for payment taxes on approximately \$100,000.00 of reported income. N. Sabri was also assessed additional taxes, but presumably a negligible amount based on her reported 1% interest. M&S has never sought or claimed any right of contribution from the Liaos in relation to the audit and additional tax payments.

K. The Liaos Delay in Asserting their Interests or Claims in M&S.

68. M. Sabri's Promissory Note to the Liaos in relation to their allowing Venture Bank to use their \$150,000 certificate of deposit to help M&S avoid default on its loan, was not repaid. The Liaos brought a civil action against M. Sabri in 2019 on the note obligations and obtained a judgment against M. Sabri.⁶

69. After obtaining this judgment, the Liaos became active in seeking to have their 20% membership interest recognized and for benefits related to their membership interests. They commenced this litigation on November 2, 2021.

70. The Liaos were not actively involved, with the exception of some interactions with M. Sabri in contacting anyone else involved in M&S, or asserting a right to receive distributions from M&S. Although Defendants' failures to provide them with information about M&S or include them in actions related to M&S mitigates against the Liaos inaction and delay,

⁶ The Court previously took judicial notice of this court file on summary judgment when Defendants previously argued the decision in 27-CV-19-18999 was a bar to the Liaos claims, an argument rejected by the Court.

the Liaos delay until 2021 to bring their claims resulted in the financial issues regarding claims related to classification as payments as “distributions” and characterizations of financial transactions over such a long period unduly cumbersome. Although M&S and M. Sabri’s role in the financial matters is the primary cause of the harm and injuries, the Liaos delays and long period of inaction contributed to the difficulties in quantifying some of their claims for financial damages and they share responsibility for these difficulties.

L. M&S and other Sabri Family Entities.

71. Since 2013 and thereafter, the Sabri family members own and operate several other business entities including that share the same business address as M&S: Lake Street Holdings (“LSH”), Longfellow Parking LLC (“Longfellow Parking”), Longfellow Investment, LLC (“Longfellow Investment”), Northeast Properties of Minneapolis, LLC (“NPM”), Urban Developers, LLC (“Urban Developers”) and North Loop Downtown, LLC (“North Loop”) (collectively “Sabri Family Entities”) (“Sabri family entities”).

72. Most of these entities are non-income producing.

- North Loop owns a vacant lot in the North Loop area of Minneapolis and does not produce income.
- Longfellow Investments owns a vacant property at 2718 E. Lake Street and has been non-income producing for a long time.
- Longfellow Parking owns the property at 2938 28th Ave. S in Minneapolis that was previously held by M&S. The building on the property is vacant and non-income producing.
- Urban Developers previously owned the 2718 E. Lake Street property, but now owns no property and has not been and is not an income producing entity.
- LSH owns no property or tangible assets.

73. M. Sabri is involved with these business entities, but as with M&S, generally does not hold any membership or ownership in his name. As with M&S, these other Sabri Family business entities are primarily listed as being owned and operated by his children, spouse, and more recently with Knoll.

74. From the time M&S was created until late 2016 after Knoll began working with the Sabri family entities, M&S’s finances were run through LSH and LSH’s bank accounts and credit cards. LSH during this time and thereafter provided the property management services for M&S’s properties during this time with M. Sabri providing a significant amount of the property management work.

75. There have been no written contracts between LSH and M&S for these services. Knoll credibly testified that property management fees of approximately \$10,000 per month or \$30,000-40,000 per quarter would be reasonably expected for M&S’s properties. This is an

annualized business expense of \$120,000-160,000. This appears to be an estimate for the services, and not necessarily for materials necessary for property maintenance.

76. M. Sabri was an employee of LSH and received wages ranging from \$ 9,500 to \$39,000. This was M. Sabri sole source of earned income. However, M. Sabri also obtained reimbursement for many of his personal and living expenses from LSH, M&S and other Sabri family entities. For example, M&S pays for a Porsche driven by M. Sabri for work and personal reasons. LSH has also paid M. Sabri's personal expenses including his AMEX credit card expenses that he uses for personal matters and living expenses.

77. Starting late 2016 or early 2017, M&S finances were run through M&S's financial accounts. M&S's account and financial records for M&S are replete with entries reflecting fund transfers from M&S to LSH. The transfers of funds from M&S to LSH significantly exceeded the estimated value of property management service fees. For example, in 2017, M&S transferred \$314,304 to LSH's account. (*Exh. 381*). In 2018, M&S transferred \$232,748 to LSH's account (*Exh. 379*). In 2019, M&S transferred 188,664 to LSH. (*Exh. 383*). In 2020, M&S transferred \$386,139 to LSH (*Exh. 268*).

78. From the evidence provided, the Court is unable to determine the specific amount of transfers to M&S that would reflect non-business related purposes. However, the evidence is sufficient to establish that these fund transfers included amounts to LSH, which in turn would fund payment or reimbursements to M. Sabri (and perhaps other Sabri family members) for non-business related expenses.

79. M&S financial accounts and records also show numerous transfers of funds to Sabri family entities other than LSH. The business purpose of the transfers is not established and the evidence supports that a significant portion of the various fund transfers to other Sabri family entities were used by those entities for their business purposes and/or to reimburse personal expenses of M. Sabri, and the other Sabri family members.

80. None of fund transfers to LSH or other Sabri family entities were approved by M&S Board or by any formal action by M&S in accordance with the MCT and Operating Agreement.

81. The M&S's accounts and records of the fund transfers from M&S to the other Sabri family entities reflects a pattern of using funds from M&S to fund LSH and the other Sabri businesses that do not produce substantial income and to then use these funds, in substantial part, to pay or reimbursements Sabri family members for their personal expenses. M. Sabri has been the primary recipient and beneficiary of these payments and reimbursements. M&S funds have directly and indirectly through other Sabri family entities paid M. Sabri's housing expenses, motor vehicle expenses, meals, entertainment and daily living expenses. M. Sabri reports little income as an employee and is not the named as holding ownership in any of the business entities. The pattern of transfers and reimbursements allows for M. Sabri to receive significant unreported income in a manner that creditors (such as the Liaos) cannot attach for collection.

82. The evidence supports that most of M. Sabri's living expenses and spending is paid through monies transferred from M&S to LSH and other Sabri family entities. Although the evidence supports S. Sabri, Y. Sabri and N. Sabri have accepted or allowed payment of some of

their personal expenses from payments made by M&S or M&S funds paid to the Sabri family entities, the evidence is not sufficient to quantify the specific amounts as to each of the Sabri children that were received from M&S income and funds.

83. As members of M&S, Knoll has documented and reflected some of the transactions related to personal expenses for Y. Sabri, N. Sabri and S. Sabri as “loans” from M&S. The stated loan amounts are in the financial records of M&S and none of the Sabri children has objected to the stated amount of claimed the amounts are not appropriately considered as loans to them for which they are obligated to repay M&S at some point.

84. Distributions. M&S’s records reflect varying amounts designated as “distributions” to Y. Sabri, S. Sabri and N. Sabri. Knoll used these designations were used to “balance” M&S finances and account for amounts related to transfers to other Sabri family entities and/or related to payments of personal expenses. The evidence does not support that the amounts correspond with bank transfers or checks issued personally to Y. Sabri, N. Sabri or S. Sabri or records of specific payment or reimbursements of *their* own specific personal expenses to support the amounts labeled as “distributions.”⁷ The evidence suggests these amounts likely include amounts use to fund Mona Sabri and/or M. Sabri’s personal expenses.

85. Considered as a whole, the evidence is insufficient to establish the amounts identified as “distributions” reflect actual distributions of M&S profits to its recognized members.

G. Determining Fair Market Value of M&S and Valuation Date

86. The Court finds that November 24, 2021, is the appropriate Valuation Date to determine the fair market value of M&S. This action was commenced by service of process on M. Sabri on November 1, 2021. (*Aff. Serv. filed 12/21/21; MNCIS Index #5*). The remaining Defendants, including M&S were served between November 3, 2021 and November 18, 2021. (*Id.*) November 24 corresponds with M&S’s closing on a loan with North Star Bank that replaced its prior primary loan secured against M&S’s real properties. (*Exh. 353*). This date captures the results of the North Star Bank loan including the liability created for the loan, and cash payments from the loan that were made to M&S at the closing.

87. M&S’s real property is the primary asset related to M&S’s value and because there is significant evidence as to the values for properties, and liability of M&S, the record is sufficient to establish a reasonable fair market value of M&S as of the Valuation Date based on an adjusted asset value.⁸

⁷ The evidence also does not sufficiently describe the relationship or separation as to amounts identified as “distributions” and amounts identified as “loans” to convince the Court there is not overlap that would result in valuing the amounts more than once. The obligation was on Plaintiffs’ to clearly present the evidence clearly for the Court to make findings. Using an expert witness would have made the evidence more understandable and the Court’s work significantly less burdensome.

⁸ Although the evidence is sufficient, the Plaintiffs’ decision not to use an expert witness on this issue made the Court’s work significantly more difficult than it should have been.

88. On November 24, 2021, Defendants closed on refinancing of M&S's existing primary loans through a new loan from North Star Bank ("North Star Loan"). (*Exh. 353*). North Star Bank obtained appraised values for the most significant of parcels of M&S's real property. M&S owned the following parcels of real property:⁹

Parcel 1: 1825 Lake Street East Minneapolis, Mn 55407 (Hennepin) (PID: 01-028-24-22-0132);

Parcel 2: 1709 Lake Street East Minneapolis, Mn 55407 (Hennepin) (PID: 02-028-24-11-0228);

Parcel 3: 1822 Lake Street East Minneapolis, Mn 55407 (Hennepin) (PID: 35-029-24-44-0084);

Parcel 4: 1817 Lake Street East Minneapolis, Mn 55407 (Hennepin) (PID: 02-028-24-11-0002);

Parcel 5: 1813 Lake Street East Minneapolis, Mn 55407 (Hennepin) (PID: 02-028-24-11-0001);

Parcel 6: 1815 Lake Street East Minneapolis, Mn 55407 (Hennepin) (PID: 02-028-24-11-0003);

Parcel 7: 3008 Cedar Avenue South Minneapolis, Mn 55407 (Hennepin) (PID: 02-028-24-11-0004); and

Parcel 8: 1809 ½ Lake Street East Minneapolis, Mn 55407 (Hennepin) (PID: 02-028-24-11-0012).

(*Id.*)

89. North Star Bank engaged CBRE on or about October 26, 2021 to appraise &S parcels 1, 3, 5, 6, and 7. (*See Exhs. 346, 347 and 348*). The appraisals were conducted by Matthew Johnson, a Senior Appraiser at CBRE, Minnesota Certified General Real Property License # 40382860. (*Exhs. 346, 347 and 348*). Using a November 21, 2021, valuation date, the appraised values for Parcels 1 and 3 are:

Parcel 1: **1825 Lake Street East Minneapolis, Mn 55407 (Hennepin) (PID: 01-028-24-22-0132 (*Exh. 348 at Northstar-000724-727*) -- Appraised value = \$4,720,000;**

⁹ The parcel designations are not in the same order as listed in the Court's prior Finding of Fact. In this listing the properties located at 1813 and 1815 E. Lake Street are individually listed rather than being combined.

Parcel 3: **1822 Lake Street East** Minneapolis, Mn 55407 (Hennepin) (PID: 35-029-24-44-0084 (*Exh 346 at Northstar-000579-582*) -- **Appraised value = \$1,290,000;**

90. The CBRE Appraisal considered the value of Parcels 5, 6 and 7 together:

Parcel 5: **1813 Lake Street East** Minneapolis, Mn 55407 (Hennepin) (PID: 02-028-24-11-0001);

Parcel 6: **1815 Lake Street East** Minneapolis, Mn 55407 (Hennepin) (PID: 02-028-24-11-0003); and

Parcel 7: **3008 Cedar Avenue South** Minneapolis, Mn 55407 (Hennepin) (PID: 02-028-24-11-0004) (*Exh 347 at Northstar 000420-429*) -- **Appraised value = \$1,860,000.**

91. North Star Bank did not request CBRE to appraise Parcel 2: **1709 Lake Street East** Minneapolis, Mn 55407 (Hennepin) (PID: 02-028-24-11-0228). North Star Bank used the 2021 tax assessed value in the amount of **\$445,000** as the fair market value. (*Exh. 351*). As relied upon by North Star Bank, this a reasonable fair market value of Parcel 2 as of the Valuation Date.

92. North Star Bank did not request CBRE to appraise and CBRE did not received a reported value for Parcels 4 or 8. The reporting in Exhibit 351 reflects the values for the other parcels was sufficient to support the loan and that not obtaining a value for Parcels 4 and 8 was not based on a determination that they did not hold value. Evidence of the value of these parcels was not presented at trial. However, at the request of Plaintiffs, the Court will take judicial notice of the 2021 tax assessed values of the properties pursuant to Minn. R. Evid. 201 as representing the reasonable fair market value as of the Valuation Date.¹⁰

93. Pursuant to the 2021 tax assessed value, the reasonable fair market value of Parcel 4: **1817 Lake Street East** Minneapolis, Mn 55407 (Hennepin) (PID: 02-028-24-11-0002) is **\$ 467,400**. Pursuant to the 2021 tax assessed value, the reasonable fair market value for Parcel 8: **1809 ½ Lake Street East** Minneapolis, Mn 55407 (Hennepin) (PID: 02-028-24-11-0012) is **\$ 36,000**.

¹⁰ Hennepin County's tax assessment value for the properties is an adjudicative fact subject to judicial notice under Minn. R. Evid. 201. Under Rule 201, judicial notice can be taken at any time. Minn. R. Evid 201(f). The Court concludes the 2021 tax assessed values are the appropriate assessed value for the Valuation Date within 2021. A copy of the 2021 tax assessments for Parcels 2, 4 and 8 as used by the Court are attached as Attachments A, B, and C to this Order. Defendants have the opportunity to request to be further heard on the Court's taking of judicial notice as to these facts because they were not presented as evidence at trial. *See* Minn. R. Evid. 201(e).

94. Accordingly, the fair market value of M&S real property as to the Valuation Date is:

Total value of assessed parcels (1, 3, 5, 6, and 7)	\$7,870,000
2021 Tax Assessed Value of Parcels 2	445,000
2021 Tax Assessed Value of Parcel 4	483,900
2021 Tax Assessed Value of Parcel 8	<u>36,200</u>
Fair market value of M&S real estate	= <u>\$8,835,100</u>

95. The North Star Loan was for \$ 3,966,493 and is a liability of M&S secured by its real property. This liability must be accounted for in determining the fair market value of M&S.

96. The North Star Loan also provided a cash value asset to M&S at closing in the form of delivery of \$ 1,459,168 of the loan proceeds as payments to M&S at closing. (*Exh. 342, p.2*). These amounts were paid into M&S's bank account and to borrower after other costs and settled liabilities such as a prior loan obligation were satisfied. Although M&S transferred some of these funds out of their accounts, these were transfers to another Sabri family entity and/or into bank accounts in the name of recognized M&S members. There is no credible evidence the transfers to the other Sabri family entity or bank account held by members of M&S were in payment of legitimate outstanding business-related liabilities of M&S or for M&S's legitimate business obligations.¹¹

97. M&S balance sheet reflects liabilities (in addition to the Mortgage Payable), there is no credible evidence that the other stated items are legitimate liabilities of M&S. (*Exh. 413*). This includes the \$199,342.57 as "Uncollected Rents" that cannot be legitimately treated as a liability or asset of M&S. Latino Market "has no assets" and there is no expectation M&S will pay any amount or collect any amount from Latino Market. This entry has no impact on the reasonable fair market value of M&S.

98. Member Loans. These loans have value to M&S and are reasonably considered debt obligations owed to M&S by the Sabri children recognized as members of M&S as of the Valuation Date.

99. M&S's balance sheets for December 31, 2020 and December 31, 2021 reflect as "Other Assets" – "Loans to Members" for S. Sabri, N. Sabri as:

Loan to Member – SS (Samrina Sabri)	\$572,250
Loan to Member – NS (Nour Sabri)	<u>555,082</u>
Total	\$1,127,332

(*Exhs. 311 and 413*).

¹¹ Of the \$ 1,459,168 in loan proceeds \$ 900,207 was deposited in M&S's account with North Star Bank at closing. (*Exh. 353*). M&S later transferred \$ 825,000 of these funds to North Loop Downtown. \$ 469,000.00 of the loan proceeds were "due to borrower" which was M&S. (*Exh. 353*). This remaining amount due to M&S was wired to a bank account held by Knoll and Y. Sabri.

100. The continuation of the existence of the loans to S. Sabri and N. Sabri from the end of 2020 through the end of 2021 is sufficient to reflect the loans were due and outstanding as of the Valuation Date. S. Sabri and N. Sabri are recognized by M&S as holding valuable membership interests in M&S which holds valuable real estate and produces substantial income. These loans should be considered as collectable debt obligations and an asset of M&S as of the Valuation Date.

101. A member loan to Knoll first appears on the 2021 year-end balance sheet. (*Exh 413*). The loan is documented by a promissory note from dated September 30, 2021 and signed by Knoll and approved by Y. Sabri. (*Exh 340*). The promissory note of Knoll in the amount of \$1,150,000 and is payable September 30, 2030 with interest accruing at the annual rate of 0.86% per annum. (*Id*) Prepayment is allowed. The loan amount listed as of December 31, 2021 was less than the total value of the Promissory Note and is listed as **\$ 1,039,796**. The reason for the listed loan amount as less than the promissory note is not entirely clear, but Plaintiff have requested valuation of the loan obligation/note as amount stated on the 2021 end of year balance sheet. The Court will use this amount over the higher face value of the promissory note.

102. The total reasonable fair market value to M&S of the member loans as of the Valuation Date is **\$ 2,167,128**.

103. The reasonable fair market value of the Liaos' 20% membership interest in M&S as of the Valuation Date is:

Total value of M&S real estate	\$ 8,835,100
Amount of 11/24/2021 loan	(3,966,493)
Loan proceeds paid to or for -M&S at closing:	1,459,168
Member Loans	2,167,128
Total	\$ 8,494,903
Times 20%	x 20%
Plaintiffs' 20% interest in M&S	\$ 1,698,980

CONCLUSIONS OF LAW

1. The remaining claims plead under the Liaos' Complaint include:

- Count I – Declaratory Judgment – Minn. Stat. § 555.01 (All Defendants). Plaintiffs seek to have the Court determine their membership in M&S.
- Count III – Veil Piercing – Minn. Stat. § 322C.0304, Subd. 3 (All Defendants)
- Count IV – Breach of Fiduciary Duties – Minn. Stat. § 322C.0409 (Samrina Sabri)
- Count V – Breach of Fiduciary Duties – Common Law (Samrina Sabri)

Count VI – Breach of Fiduciary Duties – Minn. Stat. § 322C.0409 (Yara Sabri)
Count VII – Breach of Fiduciary Duties – Common Law (Yara Sabri)
Count VIII– Civil Conspiracy (Sabri Family Members)
Count XI – Constructive Trust (All Defendants)
Count XII – Unjust Enrichment (All Defendants)
Count XIII– Accounting (M&S Properties, LLC)
Count XIV– Dissolution/Buyout – Minn. Stat. § 322C.0701 (All Defendants)

(*Compl., filed 12/21/21*).¹²

2. The Liaos did not pursue all of these claims at trial. The Liaos’ Trial Memorandum, Post-Trial Brief, and Proposed Findings of Fact, Conclusions of Law, and Order do not mention, or address the claims for a Constructive Trust and an Accounting. (*See Trial Memorandum filed May 8, 2023, Post Trial Brief and Proposed FF, CL, O filed Sept. 11, 2023*). These specific claims have been waived.¹³

3. Following trial on the remaining claims, the Liaos seek (1) declaratory relief that they continue to hold a combined 20% membership interest in M&S; (2) buyout of their 20% membership interests pursuant to Minn. Stat. § 322C.0701, subd. 2 and relief to protect their interest pending buyout; (3) damages for their share of “distributions;” (4) veil piercing; and (5) reimbursement for their attorneys’ fees and costs.

4. Much of the relief sought is equitable. In addressing equitable relief, the Court has considered concepts of fairness and justice and weighed each of the parties’ own action (or inaction), knowledge (or lack thereof), reasonableness under the circumstances, personal gain (or lack thereof) and other relevant circumstances as and between the parties. *See St. Jude Medical, Inc. v. Carter*, 913 N.W.2d 678, 684 (Minn. 2018) (decision to apply equitable powers belongs solely to the court).

A. Declaratory Judgment -- Liaos’ Membership Interests.

5. Count I of the Liaos’ Complaint asserts a claim for declaratory relief under the Declaratory Judgment Act, Minn. Stat. § 555.01.

¹² The Court granted summary judgment and dismissed Plaintiffs’ claim asserting Civil Theft (Count IX), Wrongful Withholding of Distributions (Count II) and granted partial summary judgment on Plaintiffs’ claims related to any alleged failures to make payments to them as members or failure to provide financial records prior to November 2, 2015). (*SJ Order filed Jan. 17, 2023*). The parties previously stipulated to dismissal of Count X – Intentional Misrepresentation (All Defendants). (*Order for Dismissal, filed 1/21/22*).

¹³ A footnote referencing a “constructive trust” is insufficient to describe the basis for or requested parameters or content of a court-imposed constructive trust. The Court notes its broad equitable powers in relation to relief for member oppression includes imposition of appropriate temporary injunctive relief.

A declaratory judgment is a “procedural device” through which a party's existing legal rights may be vindicated so long as a justiciable controversy exists. But the applicable substantive law and the basic character of the lawsuit do not change simply because a complainant requests declaratory relief. Put differently, the underlying substantive law, including any applicable defenses, forms the foundation for a declaratory judgment action.

Weavewood, Inc. v. S & P Home Inv., LLC, 821 N.W.2d 576, 579 (Minn. 2012) (internal citations omitted).

6. The substantive law governing the Liaos’ declaratory judgment claim is the law governing rights, obligations and interests related to limited liability corporations governed by Minn. Stat. Ch. 322C. Under Chapter 322C, “a member may maintain a direct action against another member, a manager, a governor, or the limited liability company to enforce the member’s rights and otherwise protect the member’s interest, including rights and interests under the operating agreement or this chapter or arising independently of the membership relationship.” Minn. Stat. § 322C.0901.

7. It is undisputed the Liaos each obtained a 10% membership interest in M&S as of April 15, 2013 and that they retained that interest at least as of November 2, 2015. There is a justiciable controversy surrounding M. Liao and B. Liao claims that they each continue to hold a 10% membership interest in M&S and Defendants’ denial of this membership interest. The membership dispute arises in regard to the purported assignments of the Liaos membership interests to Liang LLC and Chows LLC and alleged “abandonment” of their membership interests.

8. M&S was formed under Minn. Stat. Ch. 322B, the predecessor statute to Minn. Stat. Ch. 322C. Pursuant to Minn. Stat. § 322C.1204, subd. 2, as of January 1, 2018, Chapter 322 governs M&S. As provided by Minn. Stat. § 322C.1204, subd. 3, the MCA and Operating Agreement¹⁴ of M&S govern M&S’s operations and relationship between members.

9. The assignment issues presented to the Court are issues regarding the existence of valid contracts and, if valid, whether the membership interests were effectively assigned or transferred from the Liaos. Formation of a contract requires a valid offer, acceptance, and consideration. *See Thomas B. Olson & Assocs. P.A. v. Leffert, Jay & Polglaze, P.A.*, 756 N.W.2d 907, 918 (Minn. App. 2008).

1. Liang LLC Transaction.

10. The Liang LLC Assignment was a contract by and between Liang LLC and the Liaos. The Liang LLC Termination of Assignment was also a valid contract by and between Liang LLC and the Liaos.

11. There is no evidence that anyone took any action consistent with the MCA to propose the assignment to M&S and/or any other member of M&S. Liang LLC was never

¹⁴ The relevant MCA and Operating agreement in relation to this dispute which focuses on the 2016 Chows LLC Assignment is the one originally adopted in April of 2013.

identified in M&S records or tax filings as a membership or holding any membership interest in M&S. As a result, this contract and its cancellation remained exclusively between Liang LLC and the Liaos and had no impact on M&S.

12. As between the Liaos and Liang LLC, the parties agreed to a termination of their November 2015 assignment through the March 2016 termination agreement. The net result of these two contracts was a cancellation of the initial obligations on the Liaos to perform in relation to the assignment and transfer the Liaos' membership shares to Liang LLC and the cancellation of Liang LLC's performance obligation to pay the Liaos \$ 650,000.00 under the Assignment or Promissory Note.

13. The Liang LLC Assignment and Termination of Assignment did not divest the Liaos of their membership interests in M&S.

2. Chows LLC Transaction.

14. Defendants allege the Chow LLC Assignment effected an assignment of the Liaos' membership interest in M&S and terminated their rights as members. Defendants argue that despite Chows LLC's non-existence, there was a viable partnership between Hugo Chow and M. Sabri that received the assigned shares and that M. Sabri and M&S as the ultimate recipients of the membership shares should be ordered to pay the promised compensation to the Liaos in exchange for the membership shares.

15. For the reasons set forth below, the Court concludes the Chows LLC Assignment was void, or otherwise voidable by the Liaos and the Liaos retained their membership interests in M&S.

a. Non-Existence of Chows LLC – Void.

16. The Chows LLC Assignment, as entered by a non-existent entity, is void from its inception under the legal doctrine that precludes contracts requiring conveyance of property be conducted with a person or entity in legal existence. *See Stone v. Jetmar Properties, LLC*, 733 N.W.2d 480, (Minn. Ct. App. 2007) (recognizing the processes for forming corporations and LLCs by enactment of the corporations and LLC statutes preclude assertion of existence of a *de facto* corporation for conveyance of real property). In *Stone*, the Minnesota Court of Appeals held a non-existent entity cannot take title to real estate and a contract for conveyance of a deed to a non-existent entity was void from its inception, despite the establishment of the entity a year later. *Id.* 733 N.W.2d at 486-87. A contract purporting to deliver a mortgage to a non-existent entity is also void. *Lake Street Fed. Credit Union v. Tretsven*, A07-1542, 2008 WL 2732111, *3(Minn. Ct. App. July 15, 2008) (unpublished).

17. The Liaos membership interests are generally considered personal property. *See* Minn. Stat. § 322B.30, subd. 1. The MCA sets forth specific procedures for an assignment to effect a valid transfer of the membership interest which includes delivery of the proposed assignment and terms to M&S and other members for a first right to the membership interests for the terms offered, and requires approval of the other members for any effected transfer to any person or entity who is not a current member. (*Exh. 3, § 6*). The nature of the conveyance and transfer of membership interest as required by the MCA reflect that it is similar to the

transactions involving personal property that have been held void because the receiving party is not an individual or legally existing entity.

b. Voidable By the Liaos.

18. “Common-law fraud vitiates a contract in the sense that fraud renders a contract voidable. A party may rescind a voidable contract as a remedy for fraud, but is not obligated to do so.” *Sorchaga v. Ride Auto, LLC*, 909 N.W.2d 550, 557 (Minn. 2018) (internal citations omitted); *see also Davis v. Re-Trac Mfg. Corp.*, 276 Minn. 116, 117, 149 N.W.2d 37, 38–39 (1967) (elements of fraudulent misrepresentation).

19. The Chows LLC Assignment included on its face a false representation that Chows LLC was an existing legal entity formed as a limited liability corporation under Minnesota law. This is a false statement of fact. In signing the document, Hugo Chow either knew it to be false or was reckless in making the statement because he was in a position to know whether actions to establish the entity had occurred and whether action had been taken to designate him as a manager of an existing LLC. The false representation was made to induce the Liaos to believe Chows LLC was a legal entity capable of performing under the contracts and induce them to enter the contract. The Liaos were justified in relying on the representation in believing Chows LLC existed and could perform the promises in the Assignment and Commercial Promissory Note and induced the Liaos to sign the document. The Liaos would not have entered the Chows LLC Assignment if they knew Chows LLC was not a real, existing legal entity and would not have entered a contract that involved a partnership involving M. Sabri and Hugo Chow. The Liaos were harmed by the false representation because the entity that promised to perform the payment obligation did not exist to perform.

20. The evidence establishes that the Chows LLC Assignment was induced by common law fraud and was, therefore, voidable by the Liaos.¹⁵ The Liaos inaction to enforce payment and assertion of their rights reflects their opting to void the contract.

c. Lack of Consideration.

21. The Chows LLC Assignment also fails because the non-existence of Chow LLC as a legal entity vitiates there being sufficient consideration to support the formation of a valid contract. Although a promise of future payment from a person or legal entity in existence, would support the bilateral promises and be consideration for a valid contract, a current promise for future payment made by a non-existing entity, is not a detriment that supports consideration for the contract. As a non-existent entity Chows LLC provided no benefit to the Liaos and imposed no legally cognizable detriment on itself. *See Thomas B. Olson*, 756 N.W.2d at 919 (“The amount of consideration is irrelevant so long as some benefit or detriment is proved).

22. Hugo Chow’s actions may have *permitted* the Liaos to seek enforcement of the promises as equitable relief against Hugo Chow (or perhaps others) but does not make the

¹⁵ Chows LLC has never existed as an entity involving Hugo Chow. As a result, Chows LLC is not a necessary party for the Court’s determination that the 2015 Chows LLC Assignment is void.

Chows LLC Assignment a binding or enforceable contract by Hugo Chow, or anyone else against the Liaos.

d. Defendants Do Not Provide Legal Support that a Partnership Provides Grounds for Denying the Liaos' Membership Interests.

23. Defendants' argument that the Chows LLC Assignment and related documents resulted in an enforceable assignment and transfer of membership interests based on an alleged "partnership" between M. Sabri and Hugo Chow is unavailing.

24. First, there is insufficient evidence to support M. Sabri and Hugo Chow conducted sufficient joint business activities to support formation of a legally cognizable partnership. In sworn deposition testimony, M. Sabri's denied he was involved with Hugo Chow, any existing or potential Chows LLC and the assignment related transaction. (*See Exh. 505, Deposition case file 27-CV-18999*).¹⁶ Contrary trial testimony is not credible.

25. Second, even if there is sufficient activity to support a partnership, Defendants do not identify any Minnesota law supporting that such a relationship between them would make the Chows LLC Assignment (stating Chows LLC exists as a limited liability corporation under Minnesota law) as valid and enforceable contract as against the Liaos.

e. Defendants Do Not Establish Waiver.

26. "Waiver is the intentional relinquishment of a known right." *Frandsen v. Ford Motor Co.*, 801 N.W.2d 177, 182 (Minn. 2011). "[A] valid waiver requires two elements: (1) knowledge of the right, and (2) an intent to waive the right." *Id.* The intent to waive "may be inferred from conduct." *Id.* However, inaction is insufficient to establish waiver and the party asserting waiver "must show that the waiving party knew of the right and intended to waive it." *State ex rel. Swanson v. 3M Co.*, 845 N.W.2d 808, 819 (Minn. 2014).

27. Defendants argue the Liaos waived rights to the formalities under the MCA by themselves not complying with the obligations imposed on them under the MCA and waived their rights to be associated with M&S after signing the Chows LLC Assignment. The Court disagrees.

28. The Liaos conduct is most appropriately described as passive inaction in relation to M&S and the purported assignment, not waiver. The evidence supports it was reasonable under the circumstances to believe that Chows LLC (and Hugo Chow) abandoned the transaction because it took no steps to effect the assignment or to comply with the signed documents. Inaction alone does not show that the Liaos "knew of the right and intended to waive it." *See 3M Co.*, 845 N.W.2d at 819.

¹⁶ The prior sworn deposition testimony related to Hugo Chow and Chows was read into the record as part of this trial. As prior sworn testimony of a party is both impeachment and substantive evidence).

f. Equitable Estoppel Also Does Not Preclude the Liaos' Assertion or Relief.

29. Although not expressly asserted, Defendants' assertions appear to argue, in the alternative, that equitable principals should apply to estop the Liaos denying the validity of the Chows LLC Assignment based on Defendants' reliance since 2016 on the purported assignment.

30. The Minnesota Supreme Court described the doctrine of equitable estoppel in *In re Estate of Peterson*, 203 Minn. 337, 343, 281 N.W. 275, 278 (1938): .

The doctrine of [equitable estoppel] is founded in justice and good conscience and is a favorite of the law. It arises when one by his acts or representations, or by his silence when he ought to speak, intentionally or through culpable negligence, induces another to believe certain facts to exist, and such other rightfully acts on the belief so induced in such manner that if the former is permitted to deny the existence of such facts it will prejudice the latter.

31. "A party seeking to invoke the doctrine of equitable estoppel has the burden of proving three elements: (1) that promises or inducements were made; (2) that it reasonably relied upon the promises; and, (3) that it will be harmed if estoppel is not applied ." *Hydra-Mac, Inc. v. Onan Corp.*, 450 N.W.2d 913, 919 (Minn. 1990).

32. The evidence falls short of establishing any justified or reasonable reliance by M&S or the individual Defendants on the purported Chows LLC Assignment, or subsequent purported assignment of interests back to M&S. There were no effort by the Liaos, Hugo Chow, M. Sabri or anyone else to effect a transfer of the membership interests to Chows LLC and/or back to M&S consistent (or even close to consistent) with the MCA. S. Sabri, N. Sabri and Y. Sabri (the recognized members during the relevant time) were not even aware of the alleged assignment or transfers. There are no corporate records that support any transfer of the Liaos' interests. The transfer of membership interests to Chows LLC, or return to M&S, or to any of the Sabri children was never recognized in M&S's corporate records or tax filings.

33. Finally, to the extent M. Sabri seeks equitable relief from the Court in relation to the purported assignment, equitable relief is not available. "He who seeks equity must do equity, and he who comes into equity must come with clean hands." *Hruska v. Chandler Assocs., Inc.*, 372 N.W.2d 709, 715 (Minn. 1985). M. Sabri was not honest with the Liaos regarding his involvement with Hugo Chows, his own signing of documents shortly beforehand denying the Liaos interest in M&S, his knowledge that no entity named Chows LLC existed, the attempts to sign as a "manager" in relation to an effort to assign interests to M&S; the purported attempt to assign to M&S for \$1.00 despite the obligation on the interests in the amount of \$650,000. The transactions as a whole reflect an attempt by M. Sabri to use a fictional entity to seek assignment of the interests and then use himself and Hugo Chow to transfer the interests without payment to the Liaos. This is not conduct that supports equitable relief.

B. The Liaos Establish Harm from Actions by Defendants that is Oppressive and Prejudicial to their Membership Rights and Interests.

34. The Liaos request a court-ordered and supervised buyout of their membership shares and other equitable relief as an alternative remedy to termination of M&S for alleged violations of Minn. Stat. § 322C.0701, subd. 1(5). Minn. Stat. § 322C.0701, subd. 2. Termination or buyout are available remedies if a member establishes the defendants (i) have acted, are acting, or will act in a manner that is illegal or fraudulent; or(ii) have acted or are acting in a manner that is oppressive and was, is, or will be directly harmful to the” Liaos. *Id.*

35. Although not a formal member, or officer, of M&S, M. Sabri acted in contradiction to the Liaos’ membership interests and in oppression of their interests and reasonable expectations of their interests in M&S: (1) acting or holding himself out as a person authorized to act on behalf of M&S; (2) providing information in relation to preparation of M&S’s tax returns for 2013 and 2014 (and thereafter) that denied the Liaos as members and purported membership resting solely with one or more of his children; (3) signing tax returns and related documents that failed to acknowledge the Liaos’ interest; (4) refusing and failing to provide the Liaos basic financial information about M&S; and (5) by receiving payments and reimbursements for personal expenses directly from M&S and through M&S payments to LSH and other related Sabri family entities. Fairness and the interests of justice support imputation of M. Sabri’s actions on M&S.

36. M&S also acted to oppress the Liaos’ interests as members in relation to its corporate and financial records which failed to account for or ever compensate the Liaos for their significant financial contributions to M&S.

37. S. Sabri also acted in a manner oppressive to the Liaos membership interests by: (1) signing the 2013 Tax Returns denying the Liaos membership; (2) accepting statements in M&S documents that she held 99% of the membership interests; and (3) purporting to assign 99% of the membership interest to Y. Sabri.

38. The actions in contradiction to the Liaos’ membership interests were hidden from the Liaos. The Liaos delay in seeking declaratory relief and buyout is outweighed under concepts of fairness and justice by M&S’s wrongful denial of their established membership interests, especially in light of the significant financial contributions made by the Liaos.

39. In addition, whether aware of the Liaos’ membership or not, all the individual Defendants acted in ways prejudicial to their interests by not creating required corporate records tracking membership interests and contributions from members. Finally, oppressive and prejudicial actions also occurred by M&S and all the individual Defendants allowing or failing to preclude payments and use of M&S’s income and funds for personal non-business uses and for fund transfers to other Sabri family businesses without M&S receiving something of comparable benefit in return.

C. A Court-Ordered Buyout is Appropriate Equitable Relief.

40. “A court ordered statutory buyout is an equitable remedy.” *Bolander v. Bolander*, 703 N.W.2d 529, 548 (Minn. Ct. App. 2005), *review dismissed* (Minn. Nov. 15, 2005). Under Minn. Stat. § 322C.0701, subd. 2, a buyout is a permitted remedy as an alternative to termination of the LLC.

41. Considering the circumstances as a whole, including the length of time the denial of their membership interests occurred, and the repeated shuffling of membership interests as between the Sabri children and then Knoll, termination or buyout are the appropriate relief for the oppression of the Liaos membership rights and interest in M&S. A buyout is preferable to termination because it allows the Liaos compensation for their proportional share of the fair market value of M&S while allowing M&S to continue its business operations. A buyout also permits the Liaos to obtain relief without requiring a determination of the validity of the purported ownership interests as between the Sabri children and Knoll.

42. However, if the court ordered buyout is not achieved as ordered, the Liaos may request the Court to impose alternative relief including termination of M&S, and appointment of a receiver or outside neutral party to manage the orderly winding down of M&S business and sale of the properties.

43. The buyout price of \$ **1,698,980** for the Liaos combined 20% membership interests is a reasonable fair market value for their combined membership interests as of the Valuation Date.

44. Because of the evidence that M&S’s income has been used to fund non-business related transfers of funds between various Sabri family entities and for the direct or indirect payment or reimbursement of personal expenses for Sabri family members, the interests of fairness require that the Court impose a temporary injunction as to M&S’s income and funds to preserve M&S’s income and assets to achieve the relief ordered by the Court and prevent an injustice. The terms described in the order are reasonable and necessary to preserve M&S’s assets to provide the relief ordered by the Court and to prevent an injustice.

D. Breach of Fiduciary Duty Claims.

45. The Liaos’ Complaint asserts statutory and common law claims for breach of fiduciary duty against S. Sabri and Y. Sabri. Members, officers and governors in an LLC owe fiduciary duties toward one another. Minn. Stat. § 322C.0409. Unfortunately, the Liaos’ submissions to the Court address the claims against Y. Sabri and S. Sabri in broad generalities, rather than specific analysis of the statutory requirements for the claim or common law elements of the claim. As to their common law claims, Plaintiffs Trial Brief and post-trial submissions do not cite to any cases to support the basis for their claims. The Court’s analysis, below, is based on its understanding of the Liaos claims despite the lack of analysis and legal citation.

46. In a corporation in which shareholders participate in management in a manner similar to partners, each shareholder has a fiduciary duty to other shareholders. *See Advanced Comm’n Design, Inc. v. Follett*, 615 N.W.2d 285, 293-94 (Minn. 2000). Shareholders of a closely held corporation have a fiduciary duty to observe “the highest standard of integrity in

their dealings with each other.” *Evans v. Blesi*, 345 N.W.2d 775, 779 (Minn. Ct. App. 1984). That fiduciary duty includes the duty to deal “openly, honestly and fairly with other shareholders,” *id.*, and to “act with complete candor in their negotiations with each other,” *Gunderson v. All. of Comput. Prof’ls, Inc.*, 628 N.W.2d 173, 186 (Minn. Ct. App. 2001).

47. To prevail on a breach of fiduciary duty claim, Plaintiffs must prove four elements: (1) duty; (2) breach; (3) causation; and (4) damages. *See TCI Bus. Capital, Inc. v. Five Star Am. Die Casting, LLC*, 890 N.W.2d 423, 434 (Minn. App. 2017) (citing *Padco, Inc. v. Kinney & Lange*, 444 N.W.2d 889, 891 (Minn. App. 1989), *review denied* (Minn. Nov. 15, 1989)).

48. Chapters Minn. Stat. Chs. 322C and 322B, incorporated these concepts as related to shareholders in a corporation, applied them to members, managers and governors of limited liability corporations. Breach of these duties is oppressive conduct that supports appropriate equitable relief. *See* Minn. Stat. § 322C.0701, subd. 2.

49. Under Minn. Stat. § 322C.0409, those duties are defined as to include the discharge of “the member’s duties ... under this chapter or under the operating agreement consistent[] with the contractual obligation of good faith and fair dealing, including acting in a manner, in light of the operating agreement, that is honest, fair, and reasonable.” *Id.* subd. 4. It also provides that members must act “with the care that a person in a like position would reasonably exercise under similar circumstances and in a manner the member reasonably believes to be in the best interests of the company.” *Id.* subd. 3.

50. S. Sabri. As an initial member and assuming subsequent membership in M&S, S. Sabri knew the Liaos each held 10% membership interest in M&S when it was formed. By subsequently signing documents stating she held 99% of the membership interest and purporting to assign the interest to Y. Sabri, S. Sabri breached her duty of care toward M. Liao and B. Liao. That she was presented these documents by M. Sabri or others, does not excuse her signing of the documents that directly contradicted and purported to extinguish the Liaos’ membership interests. S. Sabri acted unreasonably in not determining how, consistent with the MCA and Operating Agreement, her 80% could have become 99% interest such that she could assign 99% interest to Y. Sabri. These actions breached her fiduciary duties toward the Liaos.

51. To the extent these actions occurred more than six years before this litigation was commenced, any applicable statute of limitations as to the denial of their membership rights is tolled because S. Sabri and M&S failed to produce the tax records to the Liaos, follow procedure or notice for the transfer of membership interests as required by the MCA and Operating Agreement.

52. The evidence is insufficient to establish that since November 2, 2015, S. Sabri directed or specifically gave approval as a governor or manager for fund transfers between M&S and other Sabri family entities. She was not informed of or familiar with the day to day finances and operation of M&S.

53. Since November 2, 2015, S. Sabri has accepted payment either directly from M&S or indirectly from M&S through other Sabri family entities payment of her

own personal expenses. This is contrary to her duties under the MCA and Operating Agreement and obligations of fair dealing toward the Liaos as other members who had an interest for their proportional share of M&S's profits. The evidence was not sufficient for the Court to quantify the amount of payments she accepted for her own personal expenses.

54. The equitable relief in the form of the buyout, including allocation of amounts that are recorded as member loans to her, and payment of the Liaos reasonable attorney's fees provides the appropriate equitable remedy for the S. Sabri's breach of fiduciary duties.

55. Y. Sabri. M&S and the other members of M&S recognized Y. Sabri as a member and officer of M&S. The actions related to the purported assignment of interests to Y. Sabri did not conform with the terms of the MCA or Operating Agreement and are questionable as to their validity.

56. As to the Liaos' membership interest, the evidence does not support Y. Sabri was aware of the Liaos' initial membership interest or claim to continued membership. Y. Sabri did not act unreasonably as to the Liaos' rights and interests as members because the evidence does not establish that at the time of the alleged breaches she knew or should have reasonably known of the Liaos status as members. Consistent with the Liaos own actions and inactions, Y. Sabri had passive involvement in M&S and did not read or understand the foundational documents and obligations assigned under the MCA and Operating Agreement.

57. The evidence is insufficient to establish that since November 2, 2015, Y. Sabri directed or specifically gave approval as a governor or manager for fund transfers between M&S and other Sabri family entities. Y. Sabri was generally not informed of or familiar with the day to day finances and operation of M&S.

58. Since November 2, 2015, Y. Sabri has accepted payment either directly from M&S or indirectly from M&S through other Sabri family entities payment of her own personal expenses. This is contrary to her duties under the MCA and Operating Agreement and obligations of fair dealing toward other members who would have a proportional share of M&S's profits. The evidence was not sufficient for the Court to quantify the amount of payments Y. Sabri accepted for her own personal expenses.¹⁷

59. Considering the overall equities, the evidence does not support Y. Sabri's conduct was a breach of her fiduciary duties toward the Liaos. To the extent these breaches could be seen to occur without her knowledge of the Liaos status as members, the record does not support relief in the form of monetary damages over what is being ordered as equitable relief as to a buyout (potential termination) and payment of attorneys' fees.

¹⁷ The deposit of some of the North Star Loan proceeds into an account in her personal name is addressed in relation to the Liaos' interest through the buyout valuation.

E. M&S's LLC Records and Failure to Provide Financial Records to the Liaos.

60. As initially recognized members and continuing when the Liaos were unrecognized members of M&S, the Liaos were entitled to receive copies of the tax returns and financial information about M&S. The right to financial information about M&S is consistent with M&S's obligations under the MCA and Operating Agreement and the provisions of Minn. Stat. § 322C.0410 and the predecessor statute, Minn. Stat. § 322B.373.

61. The LLC statutes and the Operating Agreement required M&S to create and maintain certain records of its members, contributions and actions. M&S failed to comply with the statutory requirements for creating and maintaining complete and comprehensible records of its members, contributions, meetings of members, governors, or records of its actions.

62. From its formation through trial, the business of M&S was not regularly conducted through the Board of governors or through meetings and actions approved by officers, and/or members of M&S in violation of the LLC statutes and M&S's MCA and Operating Agreement.

63. The requirements for producing information under the governing LLC statutes each require a "written" request or demand for access to review the corporate and/or financial information and records for M&S. *See* § 322C.0410, subs. 1 and 2; Minn. Stat. § 322B.373, subd. 2. The Liaos did not make any written demand to M&S, or S. Sabri for copies or access to M&S records or financial information. The Liaos did not produce evidence that their alleged "repeated requests" to M. Sabri were made in writing. The statutory provision regarding access to records is not triggered.

64. However, under the terms of the MCA and Operating Agreement, M&S and those in charge of operation of M&S were required (even without a request) to provide copies of the tax returns and K-1 documents to the Liaos as members.

65. The failure to provide the Liaos with timely copies of M&S's tax return and basic financial documents regarding M&S violated the Liaos' rights as members in M&S as described in the MCA and Operating Agreement. The financial information, if timely provided, would have highlighted that M&S was not recognizing their membership and that funds were being paid out of M&S attributable to Sabri family members. This would have informed the Liaos to act earlier as to their interests.

66. Although the Court is not awarding damages or other specific relief, the conduct is part of the oppression of the Liaos interests supporting a buyout and is part of the overall considerations of the Court in granting equitable relief, including temporary injunctive relief.

F. Attorneys' Fees.

67. The Liaos request the Court award them reimbursement for their reasonable attorneys' fees as equitable relief to make them whole in relation to their claims related to the prejudicial and unfair denial of their membership rights and benefits. These are direct actions for relief related specifically to their interests as members of M&S.

68. Although Chapter 322C, expressly provides for recover of attorneys' fees' in relation to a derivative claim, it is silent as to attorneys' fees as relief in relation to a party that prevails on a direct action. *See* Minn. Stat. §322C.0906, subd. 2. Recovery of costs and attorneys' fees to a prevailing member for a direct claim was identified as a form of equitable relief for the Court to impose under § 322B.833. Because the availability of equitable relief, including a potential award of attorneys' fees has historically been available as a form of equitable relief in direct actions, and the availability of equitable relief including attorneys' fees is not "displaced" by the provisions in Chapter 322C, it remains a form of relief available for the Court to award if fairness and justice require. *See* Minn. Stat. § 322C.0107.

69. Under the circumstances of this action fundamental fairness to the Liaos supports an award of their attorneys' fees and costs in pursuing their rights as members in M&S. Significantly, much of the conduct by M. Sabri and S. Sabri to deny recognition of the Liaos membership interests before January 1, 2018, the date Chapter 322C became effective as to M&S, and arguably is awardable under the predecessor statute. But the relief to the Liaos would be incomplete and unfair if they are denied recovery of the costs and expenses necessarily and reasonably incurred to obtain a declaration of their rights as member and equitable buyout relief. The other recognized members of M&S in seeking denial of the Liaos rights and interests have had their legal representation and expenses covered by M&S. It is manifestly unjust to allow the Liaos similar coverage as members of M&S.

70. The Court will consider the Liaos claim for attorneys' fees and costs the procedures set forth in Minn. R. Gen. P. 119. *See United Prairie Bank-Mountain Lake v. Haugen Nutrition & Equip., LLC*, 813 N.W.2d 49 (Minn. 2012) (recognizing difference between attorneys' fees under statute and those sought as contract damages).

G. Unjust Enrichment.

71. The Liaos' Complaint asserts a claim for unjust enrichment against "all" Defendants. The Liaos trial submissions deal with this claim in a cursory fashion with a lack of analysis and legal citation. Consequently, the Court's analysis is based on its own understanding of the claims. Any other issue within this claim is waived by the Plaintiffs' lack of identification of the specific claim, grounds for the claim and legal support for the claim.

72. Unjust enrichment is an equitable doctrine that "allows a plaintiff to recover a benefit conferred upon a defendant when retention of the benefit is not legally justifiable." *Caldas v. Affordable Granite & Stone, Inc.*, 820 N.W.2d 826, 838 (Minn. 2012). To prevail on a claim for unjust enrichment, Plaintiffs must establish "(1) a benefit conferred; (2) the defendant's appreciation and knowing acceptance of the benefit; and (3) the defendant's acceptance and retention of the benefit under such circumstances that it would be inequitable for him to retain it without paying for it." *Dahl v. R.J. Reynolds Tobacco Co.*, 742 N.W.2d 186, 195 (Minn. App. 2007).

73. "Unjust enrichment claims do not lie simply because one party benefits from the efforts or obligations of others, but instead it must be shown that a party was unjustly enriched in the sense that the term 'unjustly' could mean illegally or unlawfully." *ServiceMaster of St. Cloud v. GAB Bus. Servs., Inc.*, 544 N.W.2d 302, 306 (Minn. 1996). "The theory of unjust enrichment

is based on what the person allegedly enriched has received, not on what the opposing party has lost.” *Georgopolis v. George*, 54 N.W.2d 137, 142 (Minn. 1952).

74. M&S. The unjust enrichment claim asserted as against M&S is not established. Funds from M&S were transferred or used for improper non-business expenses. This did not confer a benefit on M&S.

75. Sabri Defendants. M. Sabri, S. Sabri, Y. Sabri, and N. Sabri’s acceptance of payment of their personal expenses either directly from M&S or through M&S’s funds transferred to other Sabri family entities was a benefit conferred on and accepted by each of them. To the extent the Sabri children claimed to not know where the funds came from to pay their expenses, even if they lacked specific knowledge as to the source of the payments, they knew or should have known the funds were from the business entities rather than personal accounts, such as M&S.

76. M. Sabri, S. Sabri, Y. Sabri and N. Sabri’s acceptance and retention of payment of personal expenses was unjust because it was contrary to M&S’s MCA and Operating Agreement and legal duties imposed in relation to operation of LLCs for the benefit of the LLC and its members. This satisfies the “wrongfulness” element of a claim for unjust enrichment in relation to the defendants’ accepting and retaining the benefit.

77. The problem is the issue of determining a specific monetary amount of relief to the Plaintiffs, as requested by Plaintiffs. First, the record is insufficient to quantify the specific value of wrongfully retained benefits for each of the Sabri Defendants. This is partially due to the Liaos delay in asserting their interest and claims. Second, all the Sabri defendants did not “benefit” equally. The amounts used to pay Y. Sabri, N. Sabri and S. Sabri’s own personal expenses is not sufficiently established in the record. The Court is not persuaded that S. Sabri, Y. Sabri or N. Sabri were themselves, unjustly enriched by the wrongful acceptance of payments accepted by M. Sabri’s, or Mona Sabri’s for payment of personal expenses. Third, the injury from improper payments using M&S goes to M&S not the Liaos. The payments are not the equivalent of a distribution to members. This are more accurately characterized as claims derivative claims for waste, which were dismissed on summary judgment.

H. Piercing the Corporate Veil.

78. The Liaos assert a claim for piercing M&S’s corporate veil to impose personal liability on M. Sabri, S. Sabri, Y. Sabri and N. Sabri. This is a request for equitable relief in relation to each of these individuals’ relationship with M&S. See *Roepke v. W. Nat’l Mut. Ins. Co.*, 302 N.W.2d 350, 252 (Minn. 1981).

79. Under Minnesota law, the protection of the corporate form as a shield to individual liability is subject to being removed and personal liability imposed if (1) the corporate form was used to accomplish a fraudulent purpose; or (2) when a corporation is used as the “alter ego” or instrumentality of the individual; and (3) piercing the corporate veil is necessary to remedy an injustice or to achieve fundamental fairness. See *Victoria Elevator Co. of Mnpls. v. Meriden Grain Co. Inc.*, 283 N.W.2d 509, 512 (Minn. 1979); *Equity Trust Co. Custodian v. Cole*, 766 N.W.2d 334, 339 (Minn. Ct. App. 2009).

80. “When using the alter ego theory to pierce the corporate veil, courts look to the reality and not form, with how the corporation operated and the individual defendant's relationship to that operation.” *Equity Trust*, 766 N.W.2d at 339 (quoting *Hoyt Properties, Inc. v. Prod. Res. Group, LLC*, 736 N.W.2d 313, 318 (Minn. 2007)). “If the corporation or limited liability company is found to be an ‘alter ego’ or mere ‘instrumentality,’ a court may pierce the corporate veil if there is an ‘element of injustice or fundamental unfairness.’” *Id.*

81. A party’s lack of formal status as an owner of the entity does not preclude, the piercing of the corporate veil to impose personal liability for the parties conduct if it amounts to using the corporation as an alter ego or instrumentality for the persons own purposes. *Equity Trust*, 766 N.W.2d at 339.

82. The evidence at trial supports piercing of M&S corporate veil and imposition of personal liability as against each of the Sabri defendants. Each of the Sabri defendants participated in conducting business on behalf of M&S without observance of corporate formalities and as an instrumentality to obtain, either directly from M&S or through transfers of funds to other Sabri family entities, payment or reimbursement of their personal, non-business related expenses. The regularity of transfers of funds as between these entities and ever-shifting ownership interests was imposed for the purpose of and achieved the purpose of obscuring M&S income and assets and funneling those assets for personal uses. Each of the Sabri defendants participated in and received payment of their personal expenses through funds belonging to M&S and failed to follow the corporate procedures for determining and declaring profits for distributions to members. The result was these payments and fund transfers were obfuscated as to their purposes and money flowed from M&S through multiple other Sabri family entities, ultimately being used for their individual personal benefit.

83. Piercing of the corporate veil of M&S is necessary to avoid fundamental unfairness to the Liaos in relation to the relief provided in this Order, and any amounts entered as a monetary judgment. As to the injunctive relief, the individual Defendants need to be personally responsible for ensuring compliance, and potentially subject to the penalties of contempt in order for the relief to meaningfully protect the Liaos’ interests in having the income of M&S and its assets used to fund the buyout.

84. M. Sabri’s direct role in bogus attempts to transfer the Liaos interests; status as the Liaos singular contact; role with M&S and the other Sabri family entities despite not being formally named as a member or officer; and long-term use of M&S funds to support and pay his personal non-business related expenses supports that it would be fundamentally unfair to the Liaos to not impose personal liability on him for the relief ordered by the Court.

85. The corporate veil of M&S is pierced as to individual liability of the members, governors and officers of M&S, specifically, Y. Sabri, N. Sabri and S. Sabri. Although Kroll is a current member of M&S, he is not a party to this litigation and the piercing of the corporate veil of M&S does not impose individual liability on him.

I. Civil Conspiracy

86. The Liaos seek a determination that M. Sabri, M&S and the individual Defendants were engaged in a civil conspiracy. As with the claims for breach of fiduciary duty

and unjust enrichment, the Liaos trial submissions seek this relief without any meaningful analysis of the legal standard governing the claim.

87. The elements of a civil conspiracy claim are that Plaintiffs establish that the defendants each acted in (1) a combination of two or more people (2) to commit an unlawful act or a lawful act by unlawful means. *Harding v. Ohio Cas. Ins. Co.*, 230 Minn. 327, 337, 41 N.W.2d 818, 824 (1950). Civil conspiracy requires the conspirators to a meeting of the minds as to the plan or purpose of action to achieve a certain result. *Bukowski v. Juranek*, 227 Minn. 313, 318, 35 N.W.2d 427, 429 (1948).

88. “[S]ince in so-called civil conspiracy cases liability is predicated upon the tort committed by the conspirators and not upon the conspiracy, allegations of conspiracy do not change the nature of the cause of action.” *Id.* Under *Harding*, the civil conspiracy concept is merely a means of holding joint or several tortfeasors liable. *Id.* (quotation omitted). Based on the direction in *Harding*, Minnesota appellate courts have required establishment of an underlying tort in relation to liability predicated on a “civil conspiracy.” *See e.g., Steele v. Mengelkoch*, No. A07-1375, 2008 WL 2966529, at *2 (Minn. Ct. App. Aug. 5, 2008) (citing *D.A.B. v. Brown*, 570 N.W.2d 168, 172 (Minn.App.1997)).

89. The Plaintiffs have not plead a specific tort claim. Torts are legal claims. However, in pleading common law claims for breach of fiduciary duty and seeking monetary “damages” the Court would have to consider whether the claims are equitable or legal in nature. Minnesota appellate cases have generally asserted claims for breach of fiduciary duty arising in relation to business relationships are equitable in nature. *See, e.g., Commercial Assoc. v. Work Connection*, 712 N.W.2d 772, 778 (Minn. App. 2006). However, in unpublished case, the Court of Appeals suggested fiduciary duty claims are a type of tort claim where recoverable legal damages are sought. *McGrath v. Mico, Inc.*, Nos. A11-1087, A11-1109, A12-0093, 2012 WL 6097116 at *10 (Minn. App. Dec. 10, 2012).

90. The lack of case citations and analysis by Plaintiffs of their claims and interchangeable references to “damages” where relief sought is for a determination of injury under equitable standards has further obscured their theory of recovery under a claim for “civil conspiracy.”

91. The breach of fiduciary duty claims are pursued only as against S. Sabri and Y. Sabri. To the extent legal damages for “improper distributions” or improper payments received by them for personal expenses, the amount of legal damages has not been proven. Moreover, the claims are more appropriately considered claims for waste, which are derivative claims that have been dismissed.

92. The civil conspiracy claim is also redundant of claims and relief already determined and imposed by the Court including personal liability under the doctrine of piercing of the corporate veil.

ORDER

1. **Declaratory Relief.** Plaintiffs Margaret Liao and Benjamin Liao claim for Declaratory Relief is GRANTED.
 - a. Plaintiffs Margaret Liao and Benjamin Liao have since April 15, 2015 and continue to each own a 10% membership interest in M&S Properties LLC for a combined membership interest in M&S of 20%.
2. **Buyout.** Plaintiffs' claim for member oppression and for relief in the form of a buyout is GRANTED. Within 45 days of the date this Order is filed, M&S and or the individual Defendants, are ordered to pay to Plaintiffs' \$ **1,698,980** as a buyout of the Liaos combined 20% membership interest in M&S.
 - a. Upon delivery of the complete buyout payment to the Liaos consistent with the requirements of this Order, the Liaos must serve and file with the Court an acknowledgement of the buyout of their membership interests.
 - b. This matter is scheduled for an informal status conference on **Friday February 2, 2023 at 3:00 p.m.** The purpose of the status conference is to determine whether the buyout was accomplished and address scheduling of further issues to address to allow an order for entry of a final judgment.
3. **Attorneys' Fees and Costs.** Plaintiffs are the prevailing party and are entitled to recover their reasonable costs and attorneys' fees which the Court will address under Minn. R. Gen. P. 119. The Court directs the following schedule for submission of Plaintiffs' request for attorneys' fees to the Court.
 - a. Plaintiffs must serve and file their Memorandum of Law and supporting evidence for their requested attorneys' fees and costs on or before December 22, 2023.
 - b. Defendants must serve and file a Memorandum of Law and supporting evidence as to any opposition to the Plaintiffs' attorneys' fees and costs on or before January 4, 2024.
 - c. Plaintiffs may serve and file a Reply Memorandum with the Court on or before January 8, 2024.
 - d. The Court will consider the attorneys' fees and costs fully submitted without further hearing.
4. **Temporary Injunctive Relief.** Starting immediately and continuing until issuance of a final judgment, or further order of the Court, the Court grants the following injunctive relief as against M&S and all persons acting on behalf of M&S including, but not limited to, Mohammad Sabri, Yara Sabri, Samrina Sabri and Nour Sabri:

- a. M&S must preserve its interest in its real property and prioritize its income for payment of the North Star Bank loan and other obligations secured by M&S's real property.
- b. M&S is precluded from selling, assigning or transferring, any real property or asset of M&S without the written approval of the Liaos, or order of the Court.
- c. M&S is precluded from making a loan to any member, officer, manager, governor or employee of M&S, or to any other entity, including, but not limited to a Sabri family entity.
- d. M&S is precluded from using any of M&S's funds or income, to make any payment or reimbursement to Mohammad Sabri, Yara Sabri, Samrina Sabri and Nour Sabri, Mona Sabri, James Knoll, or any other person or entity for personal expenses.
- e. M&S's income and funds may not be used to pay for any property management or other services above a fair market rate for work performed.
- f. M&S must not divert or transfer any of M&S's funds or income for any purpose other than legitimate payment of business related expenses and obligations.
- g. M&S must not divert or transfer any of M&S's funds or income to any other Sabri family entity unless the transaction is supported by a written contract and the payment is for services or goods provided necessary for M&S's business operations and provided at fair market value.
- h. M&S is precluded from making any distribution of M&S funds to any member.
- i. Mohammad Sabri, Yara Sabri, Nour Sabri and Samrina Sabri are enjoined from accepting or receiving any M&S funds directly or indirectly for payment, reimbursement as loaned funds for non-business related expenses;
- j. M&S must create and maintain documents supporting expenditures of M&S's funds or income.
- k. Every 30 days starting from the date this Order is filed, M&S must provide the Liaos, through counsel, with a financial accounting of its assets and liabilities and with a detailed listing of M&S's income and expenditures. M&S must respond to reasonable requests by Plaintiffs for clarification or explanation.
- l. If the buyout is not accomplished as ordered by the Court, M&S shall create an accounting of any and all payments to or funds transferred by M&S to any other Sabri family related entity in the last year, other than funds transferred for the legitimate business interest of M&S for goods or services provided at fair market value. For any such transfers or payments, M&S and the individual Defendants must take all reasonable actions to seek return or recovery of the funds from the other Sabri family entity.

The temporary injunctive relief may be modified by the Court, as determined appropriate to ensure the purposes of this Order and the relief provided under this Order, or future Order.

5. **Piercing Corporate Veil.** Plaintiffs' claim to pierce the corporate veil of M&S and impose individual liability on Defendants Mohammad Sabri, Samrina Sabri, Yara Sabri and Nour Sabri is GRANTED. The individual Defendants have individual liability to accomplish the buyout of Plaintiffs' membership interests (or further related relief), to comply with the injunctive relief, and payment of the amount ordered for attorneys' fees and costs.
6. Any relief or claim not granted is DENIED.
7. The Court retains jurisdiction for the purpose of effecting the buyout or alternative relief, if the buyout is not accomplished, enforcing the injunctive relief and for the determining of reasonable attorneys' fees and costs payable to Plaintiffs.
8. Entry of judgment is stayed pending resolution of the attorneys' fees and claim and resolution of all remaining issues related to the relief ordered.

BY THE COURT

Karen A. Janisch
Judge of District Court

Attachment A

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The data listed below reflects information from December 31st of the payable year referenced above. Any adjustments made after that date will NOT be reflected.

Property ID number:	02-028-24-11-0228
Address:	1709 LAKE ST E
Municipality:	MINNEAPOLIS
School district:	001
Watershed:	3
Sewer district:	
Construction year:	1909
Owner name:	M&S PROPERTIES LLC
Taxpayer name and address:	M&S PROPERTIES LLC 5775 WAYZATA BLVD #620 MINNEAPOLIS MN 55416

Property tax information

taxinfo@hennepin.us

Phone: 612-348-3011

A-600 Government Center

300 South 6th Street

Minneapolis, MN 55487

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Sales prices are reported as listed on the Certificate of Real Estate Value and are not warranted to represent arms-length transactions.

Sale date:

March, 2000

Sale price:

\$70,000

Transaction type:

Warranty Deed

Tax parcel description

The following is the County Auditor's description of this tax parcel. It may not be the legal description on the most recent conveyance document recording ownership. Please refer to the legal description of this property on the public record when preparing legal documents for recording

Addition name:	SUBDIVISION OF BLOCK 16 OF J. G. LENNON'S OUT LOTS TO MINNEAPOLIS
Lot:	
Block:	
Approximate parcel size:	44.00 X 78.00
Metes & Bounds: Common abbreviations	E 44 FT OF LOTS 13 AND 14
Abstract or Torrens:	ABSTRACT

Value and tax summary for taxes payable 2021

Values established by assessor as of January 2, 2020

Estimated market value:	\$445,000
Taxable market value:	\$445,000
Total improvement amount:	
Total net tax:	\$10,196.05
Total special assessments:	\$1,643.15
Solid waste fee:	
Total Tax:	\$11,839.20

Property information detail for taxes payable 2021

Values established by assessor as of January 2, 2020

Values:	1	2
Land market:	\$20,600	\$31,000
Building market:	\$157,400	\$236,000
Machinery market:		
Total market:	\$178,000	\$267,000
Qualifying improvements:		
Veterans exclusion:		
Homestead market value exclusion:		
Classifications:		
Property type:	RESIDENTIAL TWO UNIT	COMMERCIAL PREFERRED
Homestead status:	NON-HOMESTEAD	NON-HOMESTEAD
Relative homestead:		
Agricultural		
Exempt status:		

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The data listed below reflects information from December 31st of the payable year referenced above. Any adjustments made after that date will NOT be reflected.

Property ID number:	02-028-24-11-0002
Address:	1817 LAKE ST E
Municipality:	MINNEAPOLIS
School district:	001
Watershed:	3
Sewer district:	
Construction year:	1909
Owner name:	M&S PROPERTIES LLC
Taxpayer name and address:	M&S PROPERTIES LLC 5775 WAYZATA BLVD. STE #620 MINNEAPOLIS MN 55416

Property tax information

taxinfo@hennepin.us

Phone: 612-348-3011

A-600 Government Center

300 South 6th Street

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Sale date:

July, 2007

Sale price:

\$1,462,552

Transaction type:

Sale Includes More than One Parcel

Tax parcel description

The following is the County Auditor's description of this tax parcel. It may not be the legal description on the most recent conveyance document recording ownership. Please refer to the legal description of this property on the public record when preparing legal documents for recording

Addition name:	BLECKENS SUBDIVISION OF LOT 1 J. G. LENNONS OUTLOTS TO MINNEAPOLIS
Lot:	
Block:	
Approximate parcel size:	82 X 88
Metes & Bounds: <u>Common abbreviations</u>	E 82 FT LOTS 1 2 AND 3
Abstract or Torrens:	ABSTRACT

Value and tax summary for taxes payable 2021

Values established by assessor as of January 2, 2020

Estimated market value:	\$483,900
Taxable market value:	\$483,900
Total improvement amount:	
Total net tax:	\$14,625.12
Total special assessments:	\$6,025.82
Solid waste fee:	
Total Tax:	\$20,650.94

Property information detail for taxes payable 2021

Values established by assessor as of January 2, 2020

Values:	1	2
Land market:	\$107,900	\$16,500
Building market:	\$359,500	
Machinery market:		
Total market:	\$467,400	\$16,500
Qualifying improvements:		
Veterans exclusion:		
Homestead market value exclusion:		
Classifications:	1	2
Property type:	COMMERCIAL PREFERRED	LAND COMMERCIAL NON PREFERRED
Homestead status:	NON-HOMESTEAD	NON-HOMESTEAD
Relative homestead:		
Agricultural		
Exempt status:		

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The data listed below reflects information from December 31st of the payable year referenced above. Any adjustments made after that date will NOT be reflected.

Property ID number:	02-028-24-11-0012
Address:	1809 1/2 LAKE ST E
Municipality:	MINNEAPOLIS
School district:	001
Watershed:	3
Sewer district:	
Construction year:	
Owner name:	M&S PROPERTIES LLC
Taxpayer name and address:	M&S PROPERTIES LLC 5775 WAYZATA BLVD #620 MINNEAPOLIS MN 55416

Property tax information

taxinfo@hennepin.us
Phone: 612-348-3011
A-600 Government Center
300 South 6th Street
Minneapolis, MN 55487
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Sales prices are reported as listed on the Certificate of Real Estate Value and are not warranted to represent arms-length transactions.

Sale date: January, 2000

Sale price:

\$13,500

Transaction type:

Contract For Deed

Tax parcel description

The following is the County Auditor's description of this tax parcel. It may not be the legal description on the most recent conveyance document recording ownership. Please refer to the legal description of this property on the public record when preparing legal documents for recording

Addition name:	BLECKENS SUBDIVISION OF LOT 1 J. G. LENNONS OUTLOTS TO MINNEAPOLIS
Lot:	
Block:	
Approximate parcel size:	23.60 X 116.70
Metes & Bounds: <u>Common abbreviations</u>	E 23 63/100 FT LOTS 17 18 19 AND 20
Abstract or Torrens:	ABSTRACT

Value and tax summary for taxes payable 2021

Values established by assessor as of January 2, 2020

Estimated market value:	\$36,200
Taxable market value:	\$36,200
Total improvement amount:	
Total net tax:	\$1,225.08
Total special assessments:	\$1,288.30
Solid waste fee:	
Total Tax:	\$2,513.38

Property information detail for taxes payable 2021

Values established by assessor as of January 2, 2020

Values:

Land market:	\$36,200
Building market:	
Machinery market:	
Total market:	\$36,200
Qualifying improvements:	
Veterans exclusion:	
Homestead market value exclusion:	

Classifications:

Property type:	LAND COMMERCIAL NON PREFERRED
Homestead status:	NON-HOMESTEAD
Relative homestead:	
Agricultural	
Exempt status:	

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