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**STATE OF MINNESOTA
IN COURT OF APPEALS
A17-0397**

Saido M. Ali,
Respondent,

vs.

Aden Aded,
Defendant,

Anwar Said,
Appellant.

**Filed November 13, 2017
Affirmed in part and reversed in part
Kirk, Judge**

Hennepin County District Court
File No. 27-CV-16-4531

Saido M. Ali, Minneapolis, Minnesota (pro se respondent)

Michael J. Sheridan, Atlas Law Firm, LLC, Bloomington, Minnesota (for appellant)

Considered and decided by Bjorkman, Presiding Judge; Hooten, Judge; and Kirk,
Judge.

U N P U B L I S H E D O P I N I O N

KIRK, Judge

Appellant challenges the district court's \$15,000 judgment in favor of respondent, arguing that the district court erred in finding appellant personally liable to respondent under a written share purchase agreement because appellant entered the agreement as an

agent of a limited liability company (LLC), respondent did not sue the LLC, and the district court did not pierce the corporate veil. Appellant also argues that the district court erred in its interpretation of the terms of the written agreement. We affirm in part and reverse in part.

FACTS

Appellant Anwar Said and respondent Saido M. Ali entered into a share purchase agreement. According to Ali, Said asked Ali to purchase shares in Ruwayda Child Care Center, LLC (Ruwayda) and told her that she would receive a share of the business profits and could get her money back at any time upon her request. On October 25, 2011, Ali signed the one-page written agreement to purchase 200 shares of the LLC for \$10,000. Said signed the agreement under the title, “Ruwayda Child Care Center Representative.” The agreement identified Ruwayda as the party selling shares.

Ali testified that six months after entering into the written agreement she requested that Said return her money because the LLC had not turned a profit and she had received no profit-sharing payments. Said refused. Said then approached Ali and told her that the business was doing well and that she would receive a larger share of the profits if she provided an additional \$5,000. Ali provided the \$5,000, but the parties did not document the payment. In 2014, the state revoked Ruwayda’s child-care license. Ali testified that she did not receive any share of Ruwayda’s profits and that Said ignored her three requests to return her money.

Ali filed a complaint in conciliation court seeking return of her \$15,000. After the conciliation court ruled against her, Ali appealed to the district court. At the December 16,

2016 bench trial, Ali appeared pro se. Said's attorney appeared on behalf of Said, who did not personally appear. Ali submitted the written share purchase agreement into evidence and testified about her dealings with Said. Said's attorney argued that Ali made an investment and bore the risk of loss when she entered the agreement and that she did not prove at trial that she was entitled to recover any money from Said.

On December 20, 2016, the district court found in favor of Ali and awarded her \$15,000 plus costs and disbursements against Said and defendant Aden Aded.¹ The district court found Ali's testimony, that the written agreement entitled Ali to the return of her \$10,000 if she requested it after six months, and that she later gave Said an additional \$5,000, to be credible. This appeal follows.

D E C I S I O N

I. The district court erred in finding Said personally liable to Ali under the \$10,000 written share purchase agreement.

Said argues that the district court erred in finding Said personally liable to Ali because Said acted as an agent of Ruwayda when he executed the written share purchase agreement, because Ali did not sue the LLC, and because the district court did not pierce the corporate veil of the LLC. We agree.

As a general rule, when an agent executes a contract with a third person on behalf of a disclosed principal, the agent is not a party to the contract and is not obligated under the contract. *Kost v. Peterson*, 292 Minn. 46, 49, 193 N.W.2d 291, 294 (1971). In addition, a member or "agent of a limited liability company is not, merely on account of this status,

¹ Defendant Aden Aded is not a party to this appeal.

personally liable for the acts, debts, liabilities, or obligations of the limited liability company.” Minn. Stat. § 322B.303, subd. 1 (2016). Unless the corporate veil is pierced, an agent of an LLC is protected from personal liability for the LLC’s acts, debts, liabilities, and obligations. *See id.*, subds. 1, 2; *Krueger v. Zeman Constr. Co.*, 758 N.W.2d 881, 890 (Minn. App. 2008) (discussing the protections of Minn. Stat. § 322B.303, subds. 1, 2, as applied to LLC members), *aff’d*, 781 N.W.2d 858 (Minn. 2010). A court may pierce the corporate veil of an LLC under the same conditions and circumstances that would allow it to pierce the corporate veil of a corporation. Minn. Stat. § 322B.303, subd. 2 (2016). Piercing the corporate veil is an equitable remedy that we review for an abuse of discretion. *Equity Tr. Co. Custodian ex rel. Eisenmenger IRA v. Cole*, 766 N.W.2d 334, 339 (Minn. App. 2009). “We review a district court’s application of the law de novo.” *Harlow v. State, Dep’t of Human Servs.*, 883 N.W.2d 561, 568 (Minn. 2016).

Here, Ali sued Said, not the LLC. Ali testified that she entered into the written share purchase agreement to become a Ruwayda shareholder. Ruwayda is disclosed in the share purchase agreement as the party offering to sell shares to Ali for \$10,000. Said is identified in the share purchase agreement by his signature only, and as a representative of Ruwayda.

The relevant language from the share purchase agreement is:

Ruwayda Child Care Center, LLC is offering 2,000 [of its] 10,000 shares for sale. I, Saido Ali [am] interested in purchasing 200 shares of Ruwayda Child Care Center, LLC[’s] offered shares. . . . I [w]ill receive 200 shares at \$50 per share for a total investment of \$10,000.

The district court found that Ali entered into the share purchase agreement and agreed to buy 200 of Ruwayda’s shares for \$10,000.

As an agent of Ruwayda, Said is protected from personal liability for the LLC's contract debts unless a court decides to pierce the corporate veil. Here, the district court found Said personally liable to Ali under the share purchase agreement without piercing the LLC's corporate veil. As a result, we conclude that the district court erred as a matter of law in finding Said liable to Ali in the amount of \$10,000. We need not address Said's additional argument that the district court erred in interpreting the terms of the share purchase agreement.

II. The district court did not err in finding Said personally liable to Ali for the additional \$5,000 that Ali gave Said.

Said does not make a distinct argument concerning his personal liability for the additional \$5,000 that Ali gave him without a written agreement. The district court found that Ali gave Said \$10,000 pursuant to the share purchase agreement and \$5,000 approximately 18 months later. The district court found Said personally liable for both transfers. But the \$5,000 transfer was not pursuant to the share purchase agreement.

We review a district court's findings of fact for clear error. Minn. R. Civ. P. 52.01; *Untiedt v. Grand Labs., Inc.*, 552 N.W.2d 571, 574 (Minn. App. 1996), *review denied* (Minn. Oct. 15, 1996). A reviewing court will not disturb the district court's findings of fact unless, after a review of all of the evidence, the reviewing court "is left with a definite and firm conviction that a mistake has been committed." *N. States Power Co. v. Lyon Food Prods., Inc.*, 304 Minn. 196, 201, 229 N.W.2d 521, 524 (1975). We defer to the district court's credibility determinations. Minn. R. Civ. P. 52.01; *Drews v. Fed. Nat'l Mortg.*

Ass'n, 850 N.W.2d 738, 741 (Minn. App. 2014). We review a district court's legal conclusions de novo. *Harlow*, 883 N.W.2d at 568.

On this record, there is no evidence showing that Ali received additional shares in exchange for the \$5,000 she gave to Said, that Ruwayda was disclosed as the principal, that Said acted as an agent on behalf of the LLC, or that there was a written agreement. The district court found Ali's testimony on these points to be credible. There was also uncontested testimony of threats and coercion directed at Ali by Said and Aded. As a result, with regard to the \$5,000 transfer, we conclude that Said is not protected from personal liability under the principles of agency law or through association with an LLC. The district court did not err in finding Said liable to Ali for the \$5,000 transfer.

Affirmed in part and reversed in part.