This opinion is nonprecedential except as provided by Minn. R. Civ. App. P. 136.01, subd. 1(c).

STATE OF MINNESOTA
IN COURT OF APPEALS
A24-0667

Lorob Properties LLC, et al.,
Respondents,

vs.

Robert Roedl,
Appellant.

Filed February 3, 2025
Affirmed in part, reversed in part, and remanded
Bratvold, Judge

Hennepin County District Court
File No. 27-CV-23-7372

Andrew A. Green, William G. Cottrell, Halpern Cottrell Green PA, Mendota Heights, Minnesota (for respondents)

Daniel L. M. Kennedy, Kennedy & Cain PLLC, Minneapolis, Minnesota (for appellant)

Considered and decided by Bratvold, Presiding Judge; Reyes, Judge; and Schmidt, Judge.

NONPRECEDENTIAL OPINION

BRATVOLD, Judge

Appellant Robert Roedl and respondent Lori Kingston each hold a 50% interest in four respondent limited-liability companies. Roedl challenges the district court's order granting respondents' motion for summary judgment and their request to dissolve the four limited-liability companies, including respondent Lorob Properties LLC.[1] The district court also approved Kingston's appointment to wind up the limited-liability companies' affairs. In the same order, the district court denied Roedl's motion to dismiss respondents' complaint for failure to state a claim for relief, cross-motion for summary judgment, and motion for sanctions. Because genuine issues of material fact preclude a summary disposition of respondents' request to dissolve the limited-liability companies, we reverse the district court's decision granting summary judgment to respondents. Because the district court did not err in denying Roedl's motion to dismiss, cross-motion for summary judgment, and motion for sanctions, we affirm those portions of the district court's order. Thus, we affirm in part, reverse in part, and remand for further proceedings consistent with this opinion.

FACTS

Lorob Properties LLC is a residential-property-management company that manages three rental properties located in South Minneapolis and owned by respondents 3427 Garfield LLC, 3504 Cedar LLC, and 3045 Harriet LLC. As members with equal interests in Lorob, Roedl and Kingston divided responsibilities: Roedl maintained the rental properties, and Kingston did Lorob's bookkeeping. Roedl and Kingston are the sole members of Lorob.

It is unclear from the summary-judgment record when Lorob acquired the three rental properties. It is undisputed that, in December 2017, Roedl and Kingston executed

[1] This opinion refers to Kingston and the four limited-liability companies collectively as respondents and to the four limited-liability companies collectively as Lorob.

governing documents for Lorob—identical member-control agreements (MCAs) and identical operating agreements for each limited-liability company.

The MCAs include terms that are relevant to the issues on appeal. The MCAs provide for member contributions, capital contributions, and distributions. Under section 3.3, no member has "the right to withdraw or to demand the return of all or part of his or her Contribution, except as otherwise expressly provided herein." Contribution is defined as "the total amount of money and/or the value accorded by the Board of Governors to property or services contributed by a Member to the Company." Section 4.1 provides that "[a] separate Capital Account shall be maintained by the Company for each Member" and is increased by each member's capital contribution and decreased by distributions to each member. Under section 4.4, the board of governors "shall determine from time to time whether to make any Distributions to the Members."

The MCAs mention dissolution and withdrawal. The MCAs do not set out triggering events for either dissolution or withdrawal, and withdrawal is not a defined term. Under section 4.5, "[a]t the time of the dissolution and winding up," company assets are first applied to the allocation of net income and net losses and the payment of obligations and then "the remaining assets shall be distributed to the Members in accordance with any positive balances in their respective Capital Accounts." Under section 4.6, "[w]ithdrawal from the Company or transfer of Membership units shall not entitle any Member to receive any Distribution" from Lorob unless Lorob makes distributions under section 4.4 or is dissolved under section 4.5.

The MCAs also provide for transferring a membership interest. Under section 6.1, a member, defined as the "Seller," may propose the "voluntary sale, assignment, gift, pledge or other transfer or encumbrance of all or any part of" their membership interest,[2] which gives the company and other members an "Option to Purchase" the seller's interest. Under section 6.2, the "mandatory purchase" of a member's interest is required when "[a] member dies" or "[a] member becomes disabled" and the member's interest is "offered to the remaining Members and the Company." Section 6.3 establishes two formulas, respectively, for the purchase price under section 6.1 (option to purchase) and section 6.2 (mandatory purchase upon death or disability).

Schedules attached to the MCAs show that Roedl and Kingston each have a 50% "fair market value" of "interest" and a 50% "membership percentage."

In April 2023, respondents served Roedl with a complaint alleging that Kingston and Roedl "have a major dispute over management of" Lorob's affairs and "the companies should be dissolved" as provided in section 322C.0701, subdivision 1(4)(ii), of the Minnesota Revised Uniform Limited Liability Company Act (the LLC Act), Minn. Stat. §§ 322C.0101-.1205 (2024). The complaint alleged that Kingston had "demand[ed]" that Roedl "participate in the dissolution" of Lorob "by cooperating" in the winding up, sale of assets, and distribution of proceeds, but that Roedl refused and "demanded a disproportionate amount of the proceeds in relation to his membership interests."

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[2] Along with voluntary sale by a member, section 6.1 identifies other events that may trigger transfer of a membership interest, such as divorce, insolvency, or appointment of a receiver, trustee, guardian, or assignee. The parties do not claim that these other events are relevant to the current dispute.

Kingston's complaint asked for relief in three parts: (1) judicial dissolution of Lorob "on the grounds that it is not reasonably practicable to carry on the companies' activities in conformity with" the governing documents, (2) appointment of Kingston to wind up Lorob's affairs and "dispose of all the real property," and (3) an award of reasonable expenses, attorney fees, and costs under Minn. Stat. § 322C.0906, subd. 2.

Roedl's answer denied some allegations in the complaint.[3] For example, Roedl denied that he and Kingston have a "major dispute" over managing Lorob. But Roedl also asserted that he lacked sufficient information to admit or deny that he and Kingston each own 50% of Lorob's membership interests. In the alternative, Roedl's answer requested that, if the district court granted dissolution, Roedl be appointed to wind up Lorob's affairs.

In October 2023, discovery ended, and Kingston moved for summary judgment on her claims. Kingston argued that (1) there were no genuine issues of material fact on the grounds for dissolution and that, therefore, she was entitled to judgment as a matter of law; (2) it was no longer "reasonably practicable" for the parties to carry on Lorob's activities "in conformity with the articles of organization and the operating agreements"; and (3) she was entitled to reasonable attorney fees under the LLC Act.

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[3] Roedl's answer also asserted two counterclaims: (1) for an accounting of Lorob and (2) for breach of fiduciary duty by Kingston. Roedl alleged that Kingston "unilaterally caused" Lorob "to incur obligations that are not ordinary and reasonable business expenses, including liability for attorney fees in this lawsuit." Respondents denied the counterclaims.

Respondents moved for summary judgment on Roedl's counterclaims, arguing that no evidence supported the allegations. Roedl also moved for summary judgment on his counterclaims. The district court granted respondents' motion and dismissed the counterclaims. Roedl's brief to this court does not challenge the district court's dismissal of his counterclaims.

Kingston submitted an affidavit in support of respondents' summary-judgment motion. Kingston's affidavit avers that she "retired from [her] full-time career in 2022 and relocated to Central Minnesota to be near [her] aging parents" and that her relocation "does not allow [her] to immediately respond to tenant issues" in Minneapolis. Kingston's affidavit also attests that she and Roedl "have disputes that make it extremely challenging to work with one another," she and Roedl "disagree" on Lorob's management, and their disagreements prevent them "from making timely, effective, cohesive decisions" as provided in the operating agreements. Kingston's affidavit avers that Roedl "has the option of buying out" her membership interests in Lorob "but has elected not to do so," which led to her claim for dissolution "on the grounds that it is not reasonably practicable to carry on the LLCs' activities in conformity with" the governing documents.

Roedl filed three motions in response: to dismiss respondents' complaint for failure to state a claim upon which relief can be granted, for summary judgment on respondents' claims, and for sanctions under Minn. R. Civ. P. 11.03 and Minn. Stat. § 549.211 (2024).

Respondents opposed Roedl's motions and submitted a second affidavit from Kingston. The second affidavit avers that "the purpose of [their] ownership was to lease the three duplexes for a small profit and eventually sell them for a big profit, splitting the proceeds 50-50." Kingston's second affidavit also avers that Roedl "refuses to accept" that they are "50-50 shareholders" and that the "only way around this deadlock is to sell the three duplexes and split the profit 50-50." Kingston's second affidavit attaches an appraisal showing that the three duplexes "are worth about $1,155,000.00."

Kingston’s second affidavit also attests that Roedl’s conduct is “unpredictable and untenable” and describes ten disputes related to the rental properties—including “unacceptable treatment” of the city housing inspector, angry exchanges about maintenance tasks like painting and leaf removal, as well as instances when Roedl’s conduct resulted in “months of rent lost” and “lost revenue.” Kingston’s second affidavit avers that Roedl used offensive language during an argument about remodeling one of the rental properties and that she then asked him to leave her house, but he refused.

Roedl filed a memorandum opposing respondents’ summary-judgment motion and submitted his own affidavit. Roedl’s affidavit avers that he and Kingston “have successfully worked together in [their] business . . . for twenty years,” they had “always been able to work through any business issues,” and “[t]here has never been any personal animosity” between them. Roedl’s affidavit attests that the “goals of the LLCs are to own and manage rental properties” and that “[t]here are no new issues” other than Kingston’s “desire to sell the properties and dissolve the LLCs.”

Roedl’s affidavit avers that tenants call him to address property issues and call Kingston to address payment of rent: “That division of responsibilities has always been our practice and has worked well for us.” Roedl’s affidavit also attests that Kingston’s “desire to have less involvement” in Lorob is “not a challenge to [its] operation” because he is “capable of providing whatever skills [Kingston] has been contributing” to Lorob. Roedl’s affidavit avers that he is “trained and experienced in accounting procedures, including the generation of financial statements and analysis of corporate financial matters.”

After a hearing, the district court issued an order denying Roedl's three motions and granting summary judgment to respondents. The district court granted respondents' dissolution claim, appointed Kingston to wind up Lorob's affairs, and denied respondents' motion for attorney fees. The district court reasoned that, "[i]n light of the evidence provided, the Court is persuaded that [Lorob] should be dissolved." Roedl appeals.

DECISION

Roedl argues that the district court (1) erred by denying his motion to dismiss the complaint for failure to state a claim for relief, (2) erred by denying his motion for summary judgment, (3) erred by granting respondents' motion for summary judgment, and (4) abused its discretion by denying his motion for sanctions. We consider the issues in the order in which Roedl's brief to this court raises them and address both summary-judgment issues together.

I. The complaint states a claim for relief because its allegations give sufficient notice of respondents' claim for judicial dissolution.

Appellate courts "review de novo decisions on motions to dismiss for failure to state a claim upon which relief can be granted under Minn. R. Civ. P. 12.02(e)." *In re Individual 35W Bridge Litig.*, 806 N.W.2d 820, 826 (Minn. 2011). In reviewing a district court's denial of a rule 12.02(e) motion, appellate courts "look only to the facts alleged in the complaint, accepting those facts as true," and "construe all reasonable inferences from the facts in favor of the plaintiff." *Stone v. Invitation Homes, Inc.*, 4 N.W.3d 489, 491 (Minn. 2024) (quotation omitted). Minnesota's notice-pleading standard allows "short and general statements of fact and does not ask for detailed factual allegations." *Demskie v. U.S. Bank*

Nat'l Ass'n, 7 N.W.3d 382, 387 (Minn. 2024) (quotation omitted). "A claim survives a Rule 12.02(e) motion to dismiss if it is possible on any evidence which might be produced, consistent with the pleader's theory, to grant the relief demanded." *Sterry v. Minn. Dep't of Corr.*, 8 N.W.3d 224, 235 (Minn. 2024) (quotation omitted).

Before considering the parties' arguments, we briefly address the statute that is relevant to the parties' dispute. The LLC Act provides that "[a] limited liability company is an entity distinct from its members" and "has perpetual duration." Minn. Stat. § 322C.0104, subds. 1, 3. A limited-liability company's operating agreement governs "relations among the members as members and between the members and the limited liability company" as well as "the activities of the company and the conduct of those activities." Minn. Stat. § 322C.0110, subd. 1(1), (3). The LLC Act includes "default rules" that govern if an operating agreement "does not otherwise provide for a matter." *Id.*, subd. 2.

Given that Lorob's governing documents do not define triggering events for dissolution, the LLC Act's default rules apply. For example, the LLC Act provides that a limited-liability company "is dissolved, and its activities must be wound up, upon the occurrence" of certain circumstances, such as "an event or circumstance that the operating agreement states causes dissolution" or "the consent of all the members." Minn. Stat.§ 322C.0701, subd. 1(1)-(2). The LLC Act also provides for judicial dissolution upon a motion in three distinct ways, only one of which is referenced in respondents' complaint. Judicial dissolution and winding up may follow the "application by a member [and] the entry by appropriate court of an order dissolving the company" if "it is not reasonably practicable to carry on the company's activities in conformity with the articles of organization and the operating agreement." *Id.*, subd. 1(4)(ii).[4]

In this appeal, Roedl argues that respondents' complaint fails under rule 12.02(e) because it "contains only labels and conclusions" and does not "include a factual allegation relating to an actual dispute" between Roedl and Kingston. Roedl contends that, even if the complaint's "unsupported reference" to the members' "major dispute over management" satisfies the notice-pleading standard, a "major dispute" is not grounds for dissolution under Minn. Stat. § 322C.0701, subd. 1. Respondents counter that the facts alleged in the complaint put Roedl on sufficient notice of the claims against him and that a "major dispute" is grounds for dissolution under subdivision 1(4)(ii). The district court determined that the "claim that there is a major dispute preventing the ongoing operation of [Lorob] is a sufficient fact to put [Roedl] on notice of the claims against him, and therefore, [his] motion to dismiss is denied."

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[4] On appeal, respondents appear to argue that their complaint also alleged that judicial dissolution is warranted because Roedl "is acting in an oppressive manner," as provided in Minn. Stat. § 322C.0701, subd. 1(5)(ii). The complaint, however, alleged that Lorob "should be dissolved pursuant to Minn. Stat. § 322C.0701, subd. 1(4)(ii)," and that "it is not reasonably practicable to carry on the companies' activities" in conformity with the governing documents. While some averments in Kingston's second affidavit may support a claim for judicial dissolution under subdivision 1(5)(ii), respondents never amended the complaint to assert a subdivision 1(5)(ii) claim. The district court also did not cite subdivision 1(5)(ii) in its summary-judgment order. We therefore decline to address respondents' arguments about subdivision 1(5)(ii). "[A]n undecided question is not usually amenable to appellate review." *Hoyt Inv. Co. v. Bloomington Com. & Trade Ctr. Assocs.*, 418 N.W.2d 173, 175 (Minn. 1988); *see also Thiele v. Stich*, 425 N.W.2d 580, 582 (Minn. 1988) (stating that appellate courts generally address only those questions previously presented to and considered by the district court).

The complaint alleged that Roedl and Kingston "have a major dispute over management of affairs of [Lorob]" and thus that Lorob should be dissolved under subdivision 1(4)(ii). The complaint also alleged that Roedl "is unreasonably preventing an orderly dissolution by wrongfully claiming that he is entitled to a greater share of [Lorob's] assets" than his 50% membership interest permits.

Accepting the factual allegations in the complaint as true and construing all reasonable inferences in favor of respondents, we conclude that the complaint gives sufficient notice of respondents' claim under subdivision 1(4)(ii). Thus, the district court did not err in denying Roedl's rule 12.02(e) motion to dismiss.

II. Based on this record, genuine issues of material fact preclude summary judgment for any party.

A district court "shall grant summary judgment if the movant shows that there is no genuine issue as to any material fact and the movant is entitled to judgment as a matter of law." Minn. R. Civ. P. 56.01. Summary judgment "should not be granted when reasonable persons could draw different conclusions from the evidence presented." *Staub ex rel. Weeks v. Myrtle Lake Resort, LLC*, 964 N.W.2d 613, 620 (Minn. 2021). In deciding a summary-judgment motion, the district court must view the evidence "in the light most favorable to the party opposing summary judgment"—here, Roedl. *J.E.B. v. Danks*, 785 N.W.2d 741, 747 (Minn. 2010). The district court also resolves "[a]ll doubts and factual inferences . . . against the moving party"—here, respondents. *Nord v. Herreid*, 305 N.W.2d 337, 339 (Minn. 1981). "[W]eighing the evidence and assessing credibility on summary judgment is error." *Jepsen ex rel. Dean v. County of Pope*, 966 N.W.2d 472, 492

(Minn. 2021) (quotation omitted). Appellate courts review a "grant of summary judgment de novo to determine whether there are genuine issues of material fact and whether the district court erred in its application of the law." *Montemayor v. Sebright Prods., Inc.*, 898 N.W.2d 623, 628 (Minn. 2017) (quotation omitted).

To address the district court's decision to grant summary judgment on respondents' claim for judicial dissolution, we briefly consider relevant caselaw from other jurisdictions and then analyze the parties' arguments about the summary-judgment record along with the district court's decision.

A. Persuasive Caselaw from Other Jurisdictions

Minnesota appellate courts have yet to interpret or apply Minn. Stat. § 322C.0701, subd. 1(4)(ii), in a precedential opinion. The LLC Act, however, is a uniform law that has been adopted in other jurisdictions. *See* Minn. Stat. Ann. § 322C.0101 ed. note (West Supp. 2024) (identifying the Uniform Limited Liability Company Act (2006) as the source of the LLC Act and the jurisdictions adopting it). Thus, foreign caselaw applying subdivision 1(4)(ii) may be helpful and persuasive. *See* Minn. Stat. § 645.22 (2024) ("Laws uniform with those of other states shall be interpreted and construed to effect their general purpose to make uniform the laws of those states which enact them."); *In re Est. of Holmberg*, 823 N.W.2d 875, 880 (Minn. App. 2012) ("While other states' interpretations of a uniform or similar law are not binding, Minnesota courts may give weight to their interpretations of a uniform law."), *rev. denied* (Minn. Nov. 27, 2012).

The Iowa Supreme Court's opinion in *Barkalow v. Clark* clarifies what evidence can sustain judicial dissolution. 959 N.W.2d 410, 415, 423 (Iowa 2021). The state law at the center of *Barkalow* is identical to the one respondents cite in their complaint. *See id.* at 419. "Iowa Code section 489.701(d)(2) authorizes dissolution when '[i]t is not reasonably practicable to carry on the company's activities in conformity with the certificate of organization and the operating agreement.'" *Id.* (emphasis omitted) (quoting Iowa Code § 489.701(d)(2) (2017)).

In *Barkalow*, the Iowa Supreme Court reversed a district court's order granting judicial dissolution after a bench trial based, in part, "on the impracticability of continuing [the company's] business." *Id.* at 417, 423. The district court found that "the intensity, longevity and number of disputes and issues" between the members "are fueled by their long time acrimonious, bitter, and toxic relationship" and that it was no longer "reasonably practicable to carry on the Company's activities." *Id*. at 417.

Explaining its decision to reverse, the Iowa Supreme Court held that judicial dissolution under the relevant statutory provision "is not a wide-ranging mechanism for doing equity, but a drastic remedy to be ordered when an LLC is truly in an unmovable logjam or cannot as a practical matter carry on its contracted purpose." *Id.* at 423. The supreme court concluded that the record in *Barkalow* showed "no voting deadlock" and that the "defined purpose" of the limited-liability company had not "become impossible to fulfill." *Id.* at 422.

Caselaw from other jurisdictions indicates the varied facts that may support judicial dissolution in response to a member's claim that "it is not reasonably practicable to carry on the company's activities in conformity with" the governing documents. Minn. Stat. § 322C.0701, subd. 1(4)(ii). For example, caselaw from South Dakota suggests that judicial dissolution may be established on summary judgment when it is undisputed that the members do not agree to sell assets and some members have more power than other members.[5] Caselaw from Virginia has cautioned, however, that the statutory standard may not be satisfied even when a district court finds after a bench trial that one member was expelled and the limited-liability company experienced significant difficulties operating in that member's absence.[6]

B. The Parties' Arguments About the Summary-Judgment Record

The parties have very different views of the summary-judgment record. Roedl argues that "one member's desire to leave the business . . . does not justify dissolution" and that the district court incorrectly "deemed [respondents'] allegations as fact for the

[5] The South Dakota Supreme Court reversed a district court's summary-judgment order denying judicial dissolution in *Kirksey v. Grohmann*. 754 N.W.2d 825, 825-26 (S.D. 2008). In *Kirksey*, the South Dakota Supreme Court held that it was not "reasonably practicable to carry on" the limited-liability company's activities because of a voting deadlock among four sister-members, even though the limited-liability company's "ranching and livestock operation, as a business, could continue despite the sisters' dissension." *Id.* at 825-26, 830-31. The South Dakota Supreme Court determined that "leaving two sisters, half the owners, with all the power in the operation of the company cannot be a reasonable and practicable operation of a business" and remanded the case for dissolution. *Id.* at 831.

[6] In *Dunbar Group, LLC v. Tignor*, the Virginia Supreme Court reversed a district court order granting judicial dissolution after a bench trial. 593 S.E.2d 216, 216-18 (Va. 2004). The Virginia Supreme Court held that a district court may order dissolution "only when [it] concludes that present circumstances show that it is not reasonably practicable to carry on the company's business in accord" with governing documents. *Id.* at 219. While the record showed that one member had been expelled and that this "created numerous problems in the operation" of the limited-liability company, the record did not show that the limited-liability company could not "carry on its business." *Id.*

purposes of deciding [respondents'] motion" despite conflicting evidence in the record.[7] Roedl also contends that his affidavit "established that there is a genuine dispute regarding whether the parties can continue to operate [Lorob] in conformity with" its governing documents and that, therefore, this case should be remanded for trial.

Respondents argue that the record evidence "established that both parties were deadlocked" on selling the rental properties and dissolving Lorob and that, therefore, they were entitled to summary judgment on their judicial-dissolution claim. Respondents contend that Roedl's "broad and indiscriminate" statement that the parties can continue operating Lorob "is in stark contrast to" respondents' evidence showing Roedl's "unprofessional" actions and the undisputed fact that Kingston moved away from Minneapolis.

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[7] Roedl also argues that the district court erred by considering Kingston's second affidavit as part of the record on summary judgment. Citing Minn. R. Gen. Prac. 115.03(c), Roedl argues that "he had no procedural opportunity" to respond to Kingston's second affidavit, which was filed in opposition to Roedl's summary-judgment motion. Minnesota Rule of Civil Procedure 56, however, provided Roedl with the option of responding to Kingston's second affidavit because it allows a party to request to submit additional evidence, including supplemental affidavits. *See* Minn. R. Civ. P. 56.05(a) ("If a party fails to properly support an assertion of fact or fails to properly address another party's assertion of fact as required by Rule 56.03, the court may . . . give an opportunity to properly support or address the fact."). Although Roedl objected to Kingston's second affidavit in his summary-judgment reply memorandum, he did not request the opportunity to submit additional evidence in response to the second affidavit. We conclude that the district court did not err when it considered the allegations in Kingston's second affidavit. *See* Minn. R. Civ. P. 56.03(c) (providing that, on summary judgment, the district court "need consider only the cited materials, but it may consider other materials in the record"); *Bell v. St. Joseph Mut. Ins. Co.*, 990 N.W.2d 504, 511 (Minn. App. 2023) (interpreting rule 56.03(c) to include "both the narrow record underlying a party's motion for summary judgment and the broad record comprised of all materials filed in district court"), *rev. denied* (Minn. Aug. 8, 2023).

The district court cited *Barkalow* and considered respondents' claim that the members are "actually in an unbreakable deadlock" justifying dissolution under subdivision 1(4)(ii). The district court determined that the members "have disputes that make it extremely challenging to work with one another, and they disagree—fundamentally—on [Lorob's] management." The district court also determined that "the relationship between the [members] has become increasingly unprofessional and combative" and that Roedl "has elected not to buyout" Kingston's membership interest, "which has led to further deadlock." Based on this evidence, the district court was "persuaded that [Lorob] should be dissolved" and granted summary judgment to respondents.

Our review of the summary-judgment record discloses at least three material factual disputes related to the statutory standard that allows judicial dissolution when it is "not reasonably practicable to carry on the company's activities" in accordance with the governing documents. Minn. Stat. § 322C.0701, subd. 1(4)(ii).

First, the parties dispute Lorob's purpose, which is relevant to determining whether Lorob may carry on its activities. *See Barkalow*, 959 N.W.2d at 423 (examining the company's "contracted purpose" in deciding whether judicial dissolution is warranted). The governing documents do not expressly state Lorob's purpose. Kingston's second affidavit avers that Lorob's purpose was to "lease the three duplexes for a small profit and eventually sell them for a big profit, splitting the proceeds 50-50." Roedl's affidavit, on the other hand, avers that the "goals of [Lorob] are to own and manage rental properties."

Second, the parties dispute whether Lorob is carrying on its activities. Kingston's affidavit avers that her "relocation does not allow [her] to immediately respond to tenant issues" and that she and Roedl "have disputes that make it extremely challenging to work with one another to pursue" Lorob's goals. Kingston's affidavit also avers that the members' management disputes prevent them "from making timely, effective, cohesive decisions . . . pursuant to the operating agreements." And Kingston's affidavit attests that Roedl's "unpredictable and untenable" conduct has caused Lorob to lose rent and other revenue. Roedl's affidavit avers that he and Kingston "have always been able to work through any business issues," including tenant needs, explaining that he handles property issues and Kingston handles rent-payment issues. Roedl's affidavit avers that "[t]here are no new issues that we face other than [Kingston's] desire to sell the properties and dissolve" Lorob.[8]

[8] The district court appears to have rejected Roedl's affidavit and stated that Roedl "failed to provide evidence" to show that Lorob's operation is "normal." As the movants on summary judgment, however, it is respondents' burden to demonstrate that a fact-finder could conclude, based on the record, only that "it is not reasonably practicable to carry on" Lorob's activities. Minn. Stat. § 322C.0701, subd. 1(4)(ii); *see Montemayor*, 898 N.W.2d at 628 ("[T]he moving party has the burden of showing an absence of factual issues." (quotation omitted)). While respondents offered evidence about Lorob's ongoing activity and Kingston averred that Roedl's conduct had caused loss in rents and other revenue, Roedl's affidavit contradicted Kingston's claim. No party offered specifics to show operational problems, and no party submitted financial records to support their different views. In short, the district court appears to have credited Kingston's affidavits because the district court stated that it "is persuaded that the relationship between the parties has become increasingly unprofessional and combative, with degrading language and slurs being used in conversations." A district court may not weigh the evidence on summary judgment. *Jepsen*, 966 N.W.2d at 492.

Third, the parties dispute whether Kingston's request for a buyout has resulted in a deadlock. Kingston's first affidavit avers that Roedl rejected "the option of buying out" Kingston's membership interests. Kingston's second affidavit attests to a "deadlock" about how to divide the sale proceeds from the rental properties. On appeal, Roedl maintains that there "is no law or contract requiring Roedl to purchase Kingston's [membership] interest."

Roedl's position has some merit. Section 6.1 of the MCAs permits members to *voluntarily* sell their interest to the company or another member of Lorob. Section 6.2 provides for *mandatory* purchase of a member's interests in only two circumstances—a member's death or disability.[9] The MCAs do not establish any events triggering dissolution. Because the MCAs provide for a mandatory purchase only upon a member's death or disability and neither of these two circumstances has occurred, Roedl may be correct that he is not "required" to purchase Kingston's membership interest or, at least, that there is a factual dispute. Moreover, to the extent that the heart of Kingston's claim is that Roedl refuses to follow the purchase-price formula set out in section 6.3, that also appears to raise a factual dispute.

Because the record discloses genuine issues of material fact related to whether respondents have satisfied the statutory standard for judicial dissolution, we reverse the district court's grant of summary judgment to respondents and remand this case for trial. Because we have concluded that genuine issues of material fact exist on issues that are also

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[9] Under section 4.6, members can withdraw, although that term is not defined. Members do not receive distributions upon withdrawal unless Lorob makes distributions under section 4.4 or is dissolved under section 4.5.

raised in Roedl's motion for summary judgment, we need not separately discuss the district court's decision on that motion. Thus, we affirm the district court's order denying Roedl's motion for summary judgment.

III. The district court did not abuse its discretion by denying Roedl's motion for sanctions.

We review a district court's decision granting or denying sanctions for an abuse of discretion. *Buscher v. Montag Dev., Inc.*, 770 N.W.2d 199, 210 (Minn. App. 2009). A district court abuses its discretion when it makes "findings unsupported by the evidence or by improperly applying the law." *Sehlstrom v. Sehlstrom*, 925 N.W.2d 233, 239 (Minn. 2019) (quotation omitted).

Roedl moved for sanctions under Minn. R. Civ. P. 11.03 and Minn. Stat. § 549.211 and argued that respondents "brought claims against [Roedl] with no legal basis nor evidentiary support or possibility of having evidentiary support after a reasonable opportunity for further investigation or discovery." Specifically, Roedl contended that respondents "fail[ed] to present a good faith argument that any of the events enumerated in Minn. Stat. § 322C.0701, subd. 1, have, in fact, occurred."

A district court may impose sanctions when a party or an attorney makes "allegations and other factual contentions" that do not "have evidentiary support" or are not "likely to have evidentiary support after a reasonable opportunity for further investigation or discovery." Minn. R. Civ. P. 11.02(c), .03; Minn. Stat. § 549.211, subds. 2(3), 3.[10] Sanctions "should not be imposed when an attorney has an 'objectively reasonable basis for pursuing a factual or legal claim or when a competent attorney could form a reasonable belief [that] a pleading is well-grounded' in fact and law." *Gibson v. Coldwell Banker Burnet*, 659 N.W.2d 782, 787 (Minn. App. 2003) (quoting *Uselman v. Uselman*, 464 N.W.2d 130, 145 (Minn. 1990)). In deciding whether to grant a motion for sanctions, district courts should avoid deterring "legitimate or arguably legitimate claims" from prospective litigants. *Conant v. Robins, Kaplan, Miller & Ciresi, L.L.P.*, 603 N.W.2d 143, 150 (Minn. App. 1999), *rev. denied* (Minn. Mar. 14, 2000).

On appeal, Roedl argues that this court should reverse and remand the sanctions motion because respondents sued "based on allegations that do not meet the standard of Minn. Stat. § 322C.0701, subd. 1." Respondents acknowledge that their dissolution claim is a "case of first impression for Minnesota" but also contend that it would be "disingenuous to characterize [their] arguments as anything but warranted by law or the establishment of new law." The district court determined that respondents' claims were "warranted by existing law" because they claimed that it was "not reasonably practicable to carry on the companies' activities in conformity with the member control agreements and the operating agreements."

We have already explained that respondents' complaint alleges sufficient facts to state a judicial-dissolution claim and survive a rule 12.02(e) motion to dismiss. The parties' cross-motions for summary judgment raised genuine issues of material fact on the

[10] The provisions in rule 11 and section 549.211 are "almost identically worded." *Johnson v. Johnson*, 726 N.W.2d 516, 519 (Minn. App. 2007).

judicial-dissolution claim. The plain language of subdivision 1(4)(ii) and the evidence respondents submitted on summary judgment support the district court's determination that respondents had an objectively reasonable basis to believe that it was not reasonably practicable to carry on the activities of Lorob based on the facts alleged in the complaint. *See Gibson*, 659 N.W.2d at 787; Minn. Stat. § 322C.0701, subd. 1(4)(ii).

Thus, we conclude that the district court did not abuse its discretion in denying Roedl's motion for sanctions.

Affirmed in part, reversed in part, and remanded.