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Attorneys for Plaintiff KC Lillian Court, LLC

SUPERIOR COURT OF ARIZONA

COUNTY OF PIMA

KC LILLIAN COURT, LLC, an Arizona
limited liability company,

Plaintiff,

v.

THE GADSDEN COMPANY, LLC, an
Arizona limited liability company,

Defendant.

No.

COMPLAINT

(Assigned to The Honorable _____)

(Tier 3)

Plaintiff KC Lillian Court, LLC (“KC”), for its Complaint against Defendant The
Gadsden Company, LLC (“Gadsden”), hereby alleges as follows:

PARTIES, JURISDICTION, AND VENUE

1. KC is an Arizona limited liability company doing business in Pima County, Arizona.
2. Gadsden is an Arizona limited liability company doing business in Pima County, Arizona.
3. The Superior Court has jurisdiction over this action pursuant to Ariz. Const. Art. 6 § 14 and A.R.S. §§ 12-123 and 12-1831.
4. Venue is proper in Pima County pursuant to A.R.S. § 12-401.





1 5. Gadsden caused acts or events to occur in Pima County, Arizona out of which
2 the facts and claims arise.

3 6. The nature of this action and the damage sought qualify this case for discovery
4 Tier 3, pursuant to Ariz. R. Civ. P. 26.2(c)(3).

5 **GENERAL ALLEGATIONS**

6 7. Lillian Court Investors, LLC (“Lillian Court”) is an Arizona limited liability
7 company.

8 8. The rights and obligations of the members and manager of Lillian Court are
9 set out in the Operating Agreement of Lillian Court Investors, LLC (the “Operating
10 Agreement”) dated January 23, 2020.

11 9. Lillian Court has fee title to certain real property located in the City of Tucson,
12 Arizona with a street address of 885 West Congress Street, Tucson, Arizona, also known as
13 Commercial Lot/Block “A” of Congress Street Market Hall.

14 10. As set forth in the Operating Agreement, Lillian Court’s purpose is to
15 construct a 32-unit, podium-style apartment community, including 50 ground-level parking
16 spaces.

17 11. Gadsden is a member and the only manager of Lillian Court.

18 12. Gadsden contributed the real property location at 885 West Congress Street,
19 Tucson, Arizona for its membership in Lillian Court.

20 13. KC is the only other member of Lillian Court.

21 14. KC contributed \$1,730,856 for its membership in Lillian Court.

22 15. Although Lillian Court was formed in January 2020, there has been minimal
23 progress made on developing the intended project.

24 **The Operating Agreement Limits Gadsden’s Powers as Manager**

25 16. As manager, Gadsden has certain enumerated powers. Gadsden, however,
26 also has limitations on those powers.



1 17. Among other things, Gadsden cannot engage in any business or activity
2 outside the scope of Lillian Court's purpose without unanimous approval of the members.

3 18. Among other things, Gadsden cannot cause Lillian Court to acquire capital
4 assets having an aggregate value of more than \$100,000 without unanimous approval of the
5 members.

6 19. Among other things, Gadsden cannot engage in transactions on Lillian
7 Court's behalf, generally, that exceed \$100,000 without unanimous approval of the
8 members.

9 20. Among other things, Gadsden is prohibited from causing Lillian Court to
10 engage in transactions that are at less than arm's length without consent from KC.

11 21. Among other things, Gadsden is prohibited from creating, incurring,
12 assuming, or guaranteeing any indebtedness without unanimous approval of the members.

13 22. Among other things, Gadsden is prohibited from causing Lillian Court to
14 employ legal counsel without unanimous approval of the members.

15 **Gadsden Breached Lillian Court's Operating Agreement**

16 23. In 2025, Gadsden sought to pivot the Lillian Court development to a different
17 purpose. And, in conjunction with pursuing this new purpose, Gadsden suggested that the
18 members should make additional capital contributions.

19 24. Given KC's concerns over this late pivot and surrounding issues with
20 Gadsden, KC inquired into the finances of Lillian Court.

21 25. KC learned that Gadsden caused Lillian Court to make a surreptitious loan to
22 Gadsden without consent or approval from KC.

23 26. KC learned that Gadsden caused Lillian Court to pay additional developer
24 fees to Gadsden even though there is no development agreement.

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1 27. The improper loan and development fee that Gadsden paid to itself exceeds
2 \$1,000,000, which is more than allowed by the limitations imposed on Gadsden by the
3 Operating Agreement.

4 28. KC also learned that Gadsden failed to pay property tax for Lillian Court for
5 the past five years jeopardizing Lillian Court's real property asset.

6 29. In addition, in 2025, Lillian Court has been named as a garnishee in a
7 garnishment action.

8 30. Gadsden hired an attorney to represent Lillian Court in this garnishment
9 action without informing KC that a garnishment application had been filed with Lillian
10 Court named as the garnishee.

11 31. Gadsden failed to obtain approval from KC to hire an attorney for Lillian
12 Court.

13 32. Gadsden has also caused Lillian Court to be named as a defendant in another
14 lawsuit as a result of allegations of Gadsden's improper financial dealings.

15 33. All Gadsden's above-referenced actions were done without KC's knowledge,
16 consent, or approval.

17 34. Gadsden's actions violated the Operating Agreement for Lillian Court and
18 have harmed Lillian Court.

19 **KC Tried to Remedy Gadsden's Breaches Through the Operating Agreement's**
20 **Dispute Resolution Procedures**

21 35. Consistent with the Operating Agreement, KC attempted to informally
22 resolve the above referenced issues with Gadsden.

23 36. Gadsden failed to informally address or otherwise explain all the issues KC
24 raised with Gadsden.

a. change the purpose of Lillian Court without unanimous approval of the members;



- b. make a surreptitious loan to Gadsden without unanimous approval of the members;
- c. pay additional developer fees to Gadsden even though there is no set development agreement and without unanimous approval of the members;
- d. hire an attorney to represent Lillian Court in a garnishment action without unanimous approval of the members; and
- e. fail to pay property taxes for Lillian Court for the past five years.

47. Gadsden failed to obtain approval from KC when it caused Lillian Court to perform all these actions.

48. Gadsden's actions breached the Operating Agreement for Lillian Court.

49. KC has performed all of its obligations under the Operating Agreement.

50. Because Gadsden breached the Operating Agreement, Gadsden should be removed as manager and member from Lillian Court.

51. KC seeks damages in an amount to be proved at trial as well as its attorneys' fees and costs incurred in pursuing this matter under the terms of the Operating Agreement and Arizona law.

CLAIM TWO

(Declaratory Relief – Gadsden)

52. KC incorporates each allegation contained in the previous paragraphs of this Complaint as though fully set forth herein.

53. Declaratory relief is available to determine the "rights, status and other legal relations" under a written contract or other writing. *See* A.R.S. § 12-1831.

54. A declaratory judgment is necessary and proper to set forth and determine the rights, obligations, and status of KC and Gadsden in this matter.

59. KC is also entitled to recover its attorneys' fees and costs being forced to bring this lawsuit under the Operating Agreement and Arizona law.

(Breach of Fiduciary Duty – Gadsden)

b. make a surreptitious loan to Gadsden without unanimous approval of the members;

- c. pay additional developer fees to Gadsden even though there is no set development agreement and without unanimous approval of the members;
- d. hire an attorney to represent Lillian Court in a garnishment action without unanimous approval of the members; and
- e. fail to pay property taxes for Lillian Court for the past five years.

63. Gadsden failed to obtain approval from KC when it caused Lillian Court to perform all these actions.

64. Gadsden's actions breached the fiduciary duties Gadsden owes KC as the sole other member of Lillian Court.

65. KC seeks damages in an amount to be proved at trial as well as its attorneys' fees and costs incurred in pursuing this matter under the terms of the Operating Agreement and consistent with Arizona law.

WHEREFORE, Plaintiff KC Lillian Court, LLC prays for judgment against Defendant The Gadsden Company, LLC as follows:

A. Judgment against Gadsden and in favor of KC for Gadsden's breaches of the Operating Agreement, and, as a result, that Gadsden is removed as the manager and member of Lillian Court.

B. Declare that Gadsden breached the Operating Agreement of Lillian Court, and, as a result, is removed as the manager and member of Lillian Court.

C. Judgment against Gadsden and in favor of KC for costs and fees, including attorneys' fees provided by applicable law, including A.R.S. §§ 12-341 and 12-341.01 as well as the terms of the Operating Agreement.

D. Pre- and post-judgment interest at the highest rate allowed by law.

E. For such other and further relief as the Court deems just and appropriate under the circumstances.

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DATED this 2nd day of June, 2025.

WOMBLE BOND DICKINSON (US) LLP

By: /s/ Nicolas T. Martino

Daniel P. Crane
Nicolas T. Martino