

STATE OF NORTH CAROLINA
GUILFORD COUNTY

IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION
24CV014427-400

HABIB UR-REHMAN and
ZAARA INVESTMENTS LLC,

Plaintiffs,

v.

KT FINANCIAL, LLC; HAROLD M.
KERN, III; ZACHARY TRAN; KT
GRADING, LLC; GARDENIA 611,
LLC; McCONNELL ROAD NORTH
GSO, LLC; McCONNELL ROAD
SOUTH GSO, LLC; DIAMONDBACK
ACQUISITION COMPANY, LLC;
DIAMONDBACK INVESTMENT
GROUP, LLC; DIG BUILD FUND V,
LLC; FIXED POINT
CONSTRUCTION, LLC;
EDGEMONT GSO, LLC; and
VANDALIA 437, LLC,

Defendants.

ORDER ON DESIGNATION

1. **THIS MATTER** is before the Court pursuant to the Determination Order issued on 3 July 2024 by the Honorable Paul Newby, Chief Justice of the Supreme Court of North Carolina, directing the undersigned to determine whether this action is properly designated as a mandatory complex business case in accord with N.C.G.S. § 7A-45.4(a).

2. Plaintiffs Habib Ur-Rehman (“Ur-Rehman”) and Zaara Investments LLC (together with Ur-Rehman, “Plaintiffs”) filed the Verified Complaint initiating this action in Guilford County Superior Court on 21 June 2024, asserting claims against Defendant KT Financial, LLC (“KT Financial”) for payment on a promissory note and attorneys’ fees, and against all Defendants for money had and received and

disregarding corporate entities/piercing the corporate veil. (*See* Verified Compl. ¶¶ 36–61.) Plaintiff timely filed the Notice of Designation (the “NOD”) on the same day, contending that designation is proper under N.C.G.S. § 7A-45.4(a)(1). (*See* Notice Designation 1 [hereinafter “NOD”].)

3. This case arises out of a collection action. Plaintiffs allege that Ur-Rehman invested \$1 million in Defendants Harold M. Kern, III (“Kern”) and Zachary Tran’s (“Tran”) businesses to fund various real estate projects in North Carolina. (*See* Verified Compl. ¶¶ 17–20.) Plaintiffs allege that the promissory note securing Ur-Rehman’s investment has matured, that he has made demand on KT Financial for payment under the note, and that KT Financial has failed to pay him. (*See* Verified Compl. ¶¶ 32–39.) Plaintiffs further allege that Kern and Tran have “deliberately commingled the assets and liabilities” of their “sprawling, integrated business enterprise” to shield assets that could otherwise be used to repay Ur-Rehman under the promissory note. (Verified Compl. ¶¶ 52–61.)

4. Designation under N.C.G.S. § 7A-45.4(a)(1) is proper if the action involves a material issue related to “[d]isputes involving the law governing corporations, except charitable and religious organizations qualified under G.S. 55A-1-40(4) on the grounds of religious purpose, partnerships, and limited liability companies, including disputes arising under Chapters 55, 55A, 55B, 57D, and 59 of the General Statutes.”

5. In support of designation under this section, Plaintiffs argue that this action involves “claims that [D]efendants are part of an excessively-fragmented enterprise, have failed to observe formalities, have commingled assets and liabilities, have made

intra-company transactions that defeat the separate existence of the multiple entities, by which [D]efendants have diverted and concealed assets with which to honor the understandings reached between the principals at the formation of their business relationship.” (NOD 2.)

6. However, “[t]his Court has long held that a claim for piercing the corporate veil, standing alone, is insufficient to support mandatory complex business case designation[]” under N.C.G.S. § 7A-45.4(a)(1). *State ex rel. Stein v. MV Realty PBC, LLC*, 2023 NCBC LEXIS 60, at *5 (N.C. Super. Ct. Apr. 12, 2023) (alterations in original) (quoting *Consol. Elec. Distribs., Inc. v. Hallmark Lighting, LLC*, 2021 NCBC LEXIS 107, at *4–5 (N.C. Super. Ct. Dec. 7, 2021) (collecting cases)). Because Plaintiffs’ claims do not otherwise implicate the law governing corporations, partnerships, or limited liability companies, the Court concludes that Plaintiffs’ reliance on the Verified Complaint’s veil-piercing allegations is insufficient to support designation under N.C.G.S. § 7A-45.4(a)(1).

7. Based on the foregoing, the Court concludes that this action shall not proceed as a mandatory complex business case under N.C.G.S. § 7A-45.4(a) and thus shall not be assigned to a Special Superior Court Judge for Complex Business Cases.

8. Consistent with the Determination Order, the Court hereby advises the Senior Resident Superior Court Judge of Judicial District 24 that this action is not properly designated as a mandatory complex business case so that the action may be treated as any other civil action, wherein designation as a Rule 2.1 exceptional case

may be pursued with the Senior Resident Superior Court Judge if deemed appropriate.

9. The Court's ruling is without prejudice to the right of the parties to otherwise seek designation of this matter as a mandatory complex business case as may be provided under N.C.G.S. § 7A-45.4.

SO ORDERED, this the 3rd day of July, 2024.

/s/ Louis A. Bledsoe, III
Louis A. Bledsoe, III
Chief Business Court Judge