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TO: Goodhue County Commissioners, Scott Arneson

FROM: Stephen O'Keefe, County Attorney 

RE: *Sharon Sporleder v. State of Minnesota, et al.*,
Court File No. 62-CV-23-3405

DATE: June 12, 2024

This memorandum provides a summary of the *Sporleder* litigation, which followed the United States Supreme Court decision in *Tyler v. Hennepin County* finding Minnesota's tax forfeiture law to be unconstitutional. A proposed settlement has been reached which is outlined below. I am asking the board to approve the settlement and authorize me to execute the final documents that will be filed with the court.

I. INTRODUCTION

On May 25, 2023, the United States Supreme Court in the *Tyler* decision, ruled that Minnesota law is unconstitutional because when a property forfeits for nonpayment of taxes, the law does not provide the taxpayer an opportunity to receive any "surplus" value beyond the amount of taxes owed. Following that ruling, Minnesota counties worked diligently to both change the law and resolve statewide liability for previously-forfeited properties through settlement negotiations in three related class action lawsuits. One of those lawsuits, cited above, named Goodhue County as class defendant. On February 28, 2024, the parties reached a tentative statewide settlement contingent upon a legislative appropriation. Both chambers of the Minnesota legislature unanimously approved the \$109M legislative appropriation needed for the settlement, and the bill was signed into law by Governor Walz on May 17, 2024. The parties to the litigation must now execute a settlement agreement and present it to the court for approval.

II. BACKGROUND AND RELATED CASES

In 2010, Plaintiff Geraldine Tyler moved out of her Minneapolis condominium and stopped paying property taxes. The condo forfeited pursuant to state law in 2015 – meaning that title

transferred to the State of Minnesota. Under the longstanding Minnesota statutes related to tax forfeiture, counties are obligated to administer property tax laws and to manage tax-forfeited properties on behalf of the State. As a result, Hennepin County managed Plaintiff's tax-forfeited condo and later sold this condo for \$40,000, an amount which exceeded the tax debt. The county placed the sale proceeds in its forfeited tax sale fund, as required by state statute since 1935. Net proceeds from that fund are apportioned by law to each taxing district: the school district, the city, and the county.

In 2019, Plaintiff filed a putative class action, alleging she was owed the "surplus" money from the sale – i.e., any money beyond the tax debt. The federal district court initially ruled in favor of Defendant Hennepin County, concluding that Plaintiff had no property interest that survived the property's forfeiture to the State. The district court's decision was affirmed by the Eighth Circuit Court of Appeals, but in May 2023, the United States Supreme Court reversed, concluding that Minnesota's statutory framework for tax forfeiture was unconstitutional to the extent that it did not permit a property owner to recover surplus value.

After the U.S. Supreme Court's decision, the *Tyler* case returned to the federal district court for further proceedings. A second action, *Sporleder v. State, et al.*, was filed on June 23, 2023. *Sporleder* names the state and Minnesota's twenty most populous counties as defendants and seeks to make Hennepin County the leader of a defendant class of all 87 counties. In *Sporleder*, the plaintiffs make identical claims and seek compensation for all Minnesotans who lost surplus value. A third action, *DeMars v. St. Louis County*, was filed on July 18, 2023; the plaintiffs have related claims against St. Louis County. Based upon an agreement of the parties, all three cases are now in state district court, and assigned to Chief Judge Leonardo Castro in the Second Judicial District (Ramsey County).

III. LITIGATION AND SETTLEMENT

The counties, led by attorneys from Hennepin and St. Louis Counties, proceeded with the goal of reaching an efficient settlement of all three class actions that would (1) provide uniform compensation to all class members across the state, and (2) be funded by the state legislature. State funding was an important component of any settlement because state law had required the enforcement mechanism that is now unconstitutional, and because the potential financial exposure of a certified class action would be devastating to some counties (if required to repay "surpluses" that had been distributed by law to school districts, cities, and counties).

To facilitate settlement negotiations, the counties collected and analyzed data about their tax forfeitures. The parties participated in two mediation sessions in November 2023, and February 2024, with retired U.S. District Court Judge James Rosenbaum. Negotiations resulted in a tentative settlement to provide compensation related to the forfeiture of approximately 6,000 parcels, conditioned upon a \$109M legislative appropriation. The Association of Minnesota Counties and the Office of the Attorney General advocated for the appropriation, which received unanimous support at the legislature.

The act appropriating funds incentivizes statewide participation by (1) requiring counties to affirmatively opt out if they do not wish to participate, and (2) making clear that counties who opt out of the class settlement may be responsible for any claims related to properties within their

jurisdictions. *See* 2024 Minn. Laws, ch. 113. Participating counties must provide information necessary to administer the settlement and make a good faith effort to sell certain forfeited property still in the county's inventory and forward a portion of those proceeds to the State general fund.

The parties have reached a comprehensive agreement which will govern the administration of the class settlement. See attached. The parties request that an attorney representative for each party execute the agreement prior to a court hearing scheduled later this month. If the settlement receives court approval, class members will have nine months to file a claim asserting an interest in a forfeited property. Approved claimants will receive 90 percent of the "surplus" value they held in the forfeited property. A third-party claims administrator has been retained to administer the settlement, and the parties have agreed upon a process to resolve disputed claims.

In addition to the settlement appropriation, the Minnesota legislature modified the property tax forfeiture process, which we anticipate will resolve the prior constitutional problem. Counties will now sell every forfeited property right away and provide an opportunity for interested parties to claim surplus funds. Counties are preparing to implement the new law this year. I have attached information relating to the new statutory scheme as well as the original Complaint against Goodhue County for your reference.

IV. REQUESTED APPROVAL

On June 28, 2024, the court will hold a hearing on a motion to give preliminary approval to the settlement agreement. All defendant counties are asked to review and execute the settlement agreement before that date. Below is a draft resolution approving the settlement, authorizing the County Finance Director/Auditor to provide information necessary to participate in the settlement, and authorizing the County Attorney to execute the settlement agreement on behalf of Goodhue County.

Resolution

BE IT RESOLVED, that the settlement agreement negotiated in *Sporleder v. State, et al.*, Court File No. 62-CV-23-3405, which is funded by a legislative appropriation in Chapter 113 of the 2024 Session Laws, is approved by the Goodhue County Board of Commissioners;

BE IT FURTHER RESOLVED, that the Goodhue County Board of Commissioners authorizes the County Finance Director/Auditor to meet the requirements for participating counties outlined in Chapter 113 of the 2024 Session Laws; and

BE IT FURTHER RESOLVED, that the Goodhue County Board of Commissioners authorizes the County Attorney to execute the settlement agreement on behalf of the County.

STATE OF MINNESOTA**DISTRICT COURT****COUNTY OF RAMSEY****SECOND JUDICIAL DISTRICT****Case Type: Civil Other**

SHARON SPORLEDER, on behalf of herself and all
others similarly situated,

Case No.:

Plaintiff,

The Honorable _____

v.

STATE OF MINNESOTA, and CYNTHIA BAUERLY,
in her capacity as Commissioner, Minnesota Department
of Revenue, ROBERT DOTY, in his capacity as
Commissioner, Minnesota Department of Revenue, LEE
HO, in his capacity as Commissioner, Minnesota
Department of Revenue, PAUL MARQUARDT, in his
capacity as Commissioner, Minnesota Department of
Revenue, HENNEPIN COUNTY individually and as
representative of the Defendant Class defined below, and
MARK V. CHAPIN, Auditor-Treasurer, in his official
capacity and DANIEL ROGAN, Auditor-Treasurer, in
his official capacity, both individually and in their
capacities as representatives of the Defendant Class
defined below, ANOKA COUNTY and PAM
LEBLANC Director, Property Records & Taxation, in
her official capacity; BLUE EARTH COUNTY and
MIKE STALBERGER, Auditor-Treasurer, in his official
capacity, CARVER COUNTY and MARY KAYE
WAHL, Treasurer, and CRYSTAL CAMPOS, Auditor,
in their official capacity, CHISAGO COUNTY and
BRIDGITTE KONRAD, Auditor-Treasurer, in her
official capacity, CLAY COUNTY and LORI
JOHNSON, Auditor-Treasurer, in her official capacity,
CROW WING COUNTY and DEBORAH ERICKSON,
Administrative Services Director, in her official
capacity, DAKOTA COUNTY and AMY KOETHE,
Auditor-Treasurer-Recorder, in her official capacity,
GOODHUE COUNTY and BRIAN ANDERSON,
Auditor-Treasurer, in his official capacity, OLMSTED
COUNTY and KASONDRA ALLEN, Auditor-
Treasurer, in her official capacity, OTTER TAIL

JURY TRIAL DEMANDED

COUNTY and WAYNE STEIN, Auditor-Treasurer, in his official capacity RAMSEY COUNTY and HEATHER BESTLER, Auditor-Treasurer, in her official capacity, RICE COUNTY and DENISE M. ANDERSON, Property Tax Administrator & Elections Director, in her official capacity, SCOTT COUNTY and CINDY GEIS, Auditor-Treasurer, in her official capacity, SHERBURNE COUNTY and DIANE ARNOLD, Auditor-Treasurer, in her official capacity, ST. LOUIS COUNTY and NANCY NILSEN, Auditor-Treasurer, in her official capacity, STEARNS COUNTY and RANDY SCHREIFELS, Auditor-Treasurer, in his official capacity, WASHINGTON COUNTY and JENNIFER WAGENIUS, Director Property Records & Taxpayer Services, in her official capacity, WINONA COUNTY and CHELSI WILBRIGHT, Auditor-Treasurer, in her official capacity, and WRIGHT COUNTY and ROBERT HIIVALA, Auditor-Treasurer, in his official capacity,

Defendants.

**PLAINTIFF AND DEFENDANT CLASS ACTION COMPLAINT
AND PETITION FOR WRIT OF MANDAMUS**

If a homeowner in Minnesota falls behind on payment of real estate taxes, the government can take the homeowner's house, sell it and keep *all* the proceeds—even if the sale price is larger than the taxes owed to the government. As a result, thousands of property owners have lost hard-earned home equity. These tax forfeitures most often impact the elderly, disabled, poor, those facing mental health challenges, and other vulnerable groups. The United States Supreme Court recently ruled that this statute violates the U.S. Constitution. Plaintiff is bringing this lawsuit to demonstrate that the practice violates the Minnesota Constitution as well, and to recover that wrongly taken homeowners' equity on behalf of herself and other Minnesotans who lost equity as a result of this statute.

Plaintiff brings this action individually and on behalf of all others similarly situated against Defendants and against designated Defendants as representatives of the Defendant Class defined below. The Defendants are the STATE OF MINNESOTA, and CYNTHIA BAUERLY, in her capacity as Commissioner, Minnesota Department of Revenue, ROBERT DOTY, in his capacity as Commissioner, Minnesota Department of Revenue, LEE HO, in his capacity as Commissioner, Minnesota Department of Revenue, PAUL MARQUARDT, in his capacity as Commissioner, Minnesota Department of Revenue, HENNEPIN COUNTY, MARK V. CHAPIN, Auditor-Treasurer, in his official capacity, and DANIEL ROGAN, in his official capacity, ANOKA COUNTY and PAM LEBLANC Director, Property Records & Taxation, in her official capacity, BLUE EARTH COUNTY and MIKE STALBERGER, Auditor-Treasurer, in his official capacity, CARVER COUNTY and MARY KAYE WAHL, Treasurer, and CRYSTAL CAMPOS, Auditor, in their official capacity; CHISAGO COUNTY and BRIDGITTE KONRAD, Auditor-Treasurer, in her official capacity; CLAY COUNTY and LORI JOHNSON, Auditor-Treasurer, in her official capacity; CROW WING COUNTY and DEBORAH ERICKSON, Administrative Services Director, in her official capacity; DAKOTA COUNTY and AMY KOETHE, Auditor-Treasurer-Recorder, in her official capacity; GOODHUE COUNTY and BRIAN ANDERSON, Auditor-Treasurer, in his official capacity; ; OLMSTED COUNTY and KASONDRA ALLEN, Auditor-Treasurer, in her official capacity; OTTER TAIL COUNTY and WAYNE STEIN, Auditor-Treasurer, in his official capacity RAMSEY COUNTY and HEATHER BESTLER, Auditor-Treasurer, in her official capacity; RICE COUNTY and DENISE M. ANDERSON, Property Tax Administrator & Elections Director, in her official capacity; SCOTT COUNTY and CINDY GEIS, Auditor-Treasurer, in her official capacity; SHERBURNE COUNTY and DIANE ARNOLD, Auditor-Treasurer, in

her official capacity; ST. LOUIS COUNTY and NANCY NILSEN, Auditor-Treasurer, in her official capacity; STEARNS COUNTY and RANDY SCHREIFELS, Auditor-Treasurer, in his official capacity; WASHINGTON COUNTY and JENNIFER WAGENIUS, Director Property Records & Taxpayer Services, in her official capacity; WINONA COUNTY and CHELSI WILBRIGHT, Auditor-Treasurer, in her official capacity; and WRIGHT COUNTY and ROBERT HIIVALA, Auditor-Treasurer, in his official capacity. The designated Defendants who are named as representatives of the Defendant Class defined below are HENNEPIN COUNTY, MARK V. CHAPIN, Auditor-Treasurer, in his official capacity, and DANIEL ROGAN, in his official capacity. Plaintiff demands a trial by jury. Plaintiff makes the following allegations based upon personal knowledge as to her own acts, and upon information and belief, as well as upon the undersigned attorneys' investigative efforts, as to Defendants' actions, and alleges as follows:

NATURE OF THE ACTION

1. This case seeks to end and remedy an unfair and unnecessary practice by Defendants.¹ It is the practice—required by statute²—of using the “toehold” of small, sometimes miniscule, amounts of unpaid real estate property taxes to seize and take possession of people’s property and if necessary, evict them from it. The Defendants then either keep the property for their own benefit or sell it for amounts that may exceed the amount of unpaid taxes but that almost always are far less than the property’s value used for calculation of the property taxes. Defendants

¹ Hereafter, all references to “Defendants” includes the Defendant Class alleged herein.

² Minn. Stat. § 282.01 provides, in part:

(a) When acting on behalf of the state under laws allowing the county board to classify and manage tax-forfeited lands held by the State in trust for the local units as provided in section 281.25, the county board has the discretion to decide that some lands in public ownership should be retained and managed for public benefits while other lands should be returned to private ownership.

then retain not just the amount owed for unpaid taxes but the *entirety* of the sale proceeds, including all of the homeowner's equity in the property.

2. Minnesota's retention of property owners' equity in excess of any unpaid property taxes and related charges violates both Article I, Section 13 (state "takings" clause") and Article 1, Section 5 (state prohibition against excessive fines) of the Minnesota Constitution.³

3. Plaintiff, on behalf of herself and all others similarly situated, seeks just compensation for the taking of their private property, together with an injunction prohibiting further seizures of real property for the purpose of collecting property taxes and related penalties and interest in a manner inconsistent with the Minnesota Constitution, reimbursement of expenses and costs of suit as allowed by law, an award of class counsel's fees, including attorneys' fees under Minn. Stat. § 15.472 and/or out of any common fund or common benefit conferred, and such other relief as the Court deems just and proper. All relief is requested in the alternative.

PARTIES

4. Plaintiff Sharon D. Sporleder is a citizen and resident of Minnesota.

5. Plaintiff Sporleder owned property located in Hennepin County, MN. After property taxes on the house went unpaid, Hennepin County obtained a judgment against the property, seized it, and then title to the property went to the State of Minnesota by statute. Defendant State of Minnesota currently holds the property. Plaintiff did not abandon or intend to abandon the home. Plaintiff has no way to obtain any of the excess equity in her home.

6. Defendant State of Minnesota is a political entity and includes its agents, including the Commissioner of the Minnesota Department of Revenue ("Revenue Commissioner").

³ This complaint asserts no federal claims and instead challenges Minnesota's retention of owners' surplus equity only under Minnesota law. Any references to federal interpretations are intended only as analogies for the interpretation and application of Minnesota state law.

7. Defendant Cynthia Bauerly was the Commissioner of the Minnesota Department of Revenue and, in that position, supervised and administered tax forfeitures at issue herein, as did her predecessors and successors, and was responsible for and/or supervised actions complained of herein.

8. Defendant Robert Doty was the Commissioner of the Minnesota Department of Revenue from November 12, 2020 to September 2, 2022 and, in that position, supervised and administered tax forfeitures at issue herein, as did his predecessors and successors, and was responsible for and/or supervised actions complained of herein.

9. Defendant Lee Ho was the temporary Commissioner of the Minnesota Department of Revenue from September 2, 2022 to December 2022 and, in that position, supervised and administered tax forfeitures at issue herein, as did his predecessors and successors, and was responsible for and/or supervised actions complained of herein.

10. Defendant Paul Marquardt is the Commissioner of the Minnesota Department of Revenue. In that position, he supervises and administers the tax forfeitures at issue herein, as did his predecessors and is responsible for and/or supervises actions complained of herein. Defendants Paul Marquardt, Lee Ho, Robert Doty and the State of Minnesota are referred to as the “State Defendants”.

11. The State of Minnesota and Defendant Doty have seized Plaintiff’s property but no compensation has been or will be paid to Plaintiff. The State Defendants have seized the property of all other members of the Class but no compensation has been or will be paid to them.

12. Defendants Hennepin County, Anoka County, Blue Earth County, Carver County, Chisago County, Clay County, Crow Wing County, Dakota County, Goodhue County, Olmsted County, Otter Tail County, Ramsey County, Rice County, Scott County, Sherburne County, St.

Louis County, Stearns County, Washington County, Winona County, and Wright County, (hereinafter, “Defendant Counties”) are municipal legal entities authorized and formed under the laws of the State of Minnesota and conduct, are responsible for and/or supervised actions complained of herein.

13. Defendants Mark V. Chapin, Auditor-Treasurer, Dan Rogan, Auditor-Pam Leblanc Director, Property Records & Taxation, in her official capacity, Mike Stalberger, Auditor-Treasurer, Mary Kaye Wahl, Treasurer, Crystal Campos, Auditor, Bridgitte Konrad, Auditor-Treasurer, Lori Johnson, Auditor-Treasurer, Deborah Erickson, Administrative Services Director, Amy Koethe, Auditor-Treasurer-Recorder, Brian Anderson, Auditor-Treasurer, Kasondra Allen, Auditor-Treasurer, Wayne Stein, Auditor-Treasurer, Heather Bestler, Auditor-Treasurer, Denise M. Anderson, Property Tax Administrator & Elections Director, Cindy Geis, Auditor-Treasurer, Diane Arnold, Auditor-Treasurer, Nancy Nilsen, Auditor-Treasurer, Randy Schreifels, Auditor-Treasurer, Jennifer Wagenius, Director Property Records & Taxpayer Services, Chelsi Wilbright, Auditor-Treasurer, and Robert Hiivala, Auditor-Treasurer (hereinafter, “Defendant Auditor-Treasurers”) conducted, were responsible for and/or supervised actions complained of herein.

14. Each Defendant is acting or acted pursuant to Minnesota Statute § 282 for tax-forfeited land sales and procedures. The Defendant Counties act for the State or, in the alternative, act jointly with the State.

15. Hennepin County, Mark Chapin and Dan Rogan (“Hennepin Defendants”) seized the property of Plaintiff and other Class Members with unpaid real property taxes and/or other charges, and as a result of proceedings required by Minnesota statutes, legal title to the property was transferred to the State. Upon any sale or other disposition of the Plaintiff’s property, and the property of others seized by Hennepin Defendants, where either the sale price or the property value

exceeded the tax debt, Defendants will retain or have retained the excess equity and value in the property after taxes and associated charges had been fully satisfied.

16. All other Defendant Counties, the Defendant Class, and their associated officials as identified herein also seized the property of Class Members with unpaid real property taxes and/or other charges. As a result of proceedings required by Minnesota statutes, the legal title to and possession of the property was transferred to the State. Upon any sale or other disposition of their property, where either the sale price or the property value exceeded the tax debt, Defendants and the Defendant Class will retain or have retained the excess equity and value in the property after taxes and associated charges had been fully satisfied.

17. Neither Plaintiff nor any other Plaintiff Class Member has been or will be paid or compensated for the excess value of property seized from them by one or more Defendants herein or by members of the Defendant Class, and all Plaintiff Class Members have suffered injury and damage and have been deprived of property without just compensation in violation of law as a direct and proximate result of the actions complained of herein.

JURISDICTION AND VENUE

18. This Court has jurisdiction over this action pursuant to Article VI, Section 3 of the Minnesota Constitution and Minn. Stat. § 484.01 subd. 1(1).

19. Venue is proper in this judicial district pursuant to Minn. Stat § 542.18, because a substantial part of the events giving rise to the claims herein occurred within this district.

BACKGROUND

20. Article I, Section 13 of the Minnesota Constitution (the “Takings” clause) provides: “Private property for public use: Private property shall not be taken, destroyed or damaged for public use without just compensation therefor, first paid or secured.” Where there is no public

purpose, the Minnesota Constitution prohibits takings altogether.

21. The Minnesota Constitution also prohibits the imposition of excessive fines. Article 1, Section 5 of the Minnesota Constitution provides: “Excessive bail shall not be required, nor excessive fines imposed, nor cruel or unusual punishments inflicted.”

22. Despite these state constitutional protections, Defendants seize the property of homeowners like Plaintiff — who alleges a present, direct and concrete injury redressable by the relief sought herein — with unpaid real property taxes and/or other charges, title and possession is transferred to the State; and upon the sale or disposition of the property where either the sale price or the property value exceeded the tax debt, Defendants retain the excess equity and value in the property even after taxes and associated charges have been fully satisfied. Moreover, Defendants do not provide any means or mechanism for the owner to reclaim the excess equity or value, sometimes referred to as the surplus. What happened to Plaintiff happened or is happening to every member of the Class.

23. By the acts described above, Defendants are taking the private property of Plaintiff and the Class without just compensation, and making or assessing an excessive fine that is in addition to any penalties already imposed and far greater than what is owed in back taxes. These actions are *ultra vires* with regard to the Minnesota Constitution.

24. A home or other type of real property undeniably is property protected by the Minnesota Constitution, as is the value remaining after any valid taxes and associated charges are deducted. Equity is an interest in real property and is subject to the same rules and entitled to the same protections as other forms of property.

25. Defendants have strayed far from the Minnesota Constitution’s guiding principles and the original goal of protecting homeowners from harsh and unreasonable consequences of tax

delinquency.

26. When Defendants take real property pursuant to a property tax forfeiture and retain the value in excess of the amount owed, such retention is not purely remedial in nature but rather is wholly or partially punitive, retributive or meant to serve as a deterrent. Defendants' retention of value or equity belonging to Plaintiff or Class Members therefore implicates and violates the Excessive Fines Clause of the Minnesota Constitution.

27. Unfortunately, Defendants' unconstitutional takings of Plaintiff's and Plaintiff Class Members' home equity often targets and victimizes those most in need of protection: the elderly, disabled and/or other vulnerable groups of Minnesotans who lack the resources necessary to pay back taxes and avoid forfeiture or who simply do not receive sufficient notice of the taxes owed or planned seizure.

28. Notably, some states, like Montana, have outlawed or abolished seizure practices like Minnesota's. In other states, such as New Hampshire, Vermont and Mississippi, their Supreme Courts have held these practices to be unconstitutional. In yet other states, the surplus or "overage" from a tax forfeiture sale is, or can be, refunded to the owner.⁴

29. In Minnesota, as elsewhere, real estate taxes assessed are typically small in relation to the value of the property, averaging according to some sources, approximately 1.05% of the value. *See* <http://www.tax-rates.org/minnesota/property-tax>. (last visited May 29, 2023). Thus, the real estate taxes on a typical home worth \$200,000 are approximately \$2,100 per year.

30. When a property owner in Minnesota fails to pay property taxes, the tax becomes delinquent, and, if the taxes remain unpaid, they become a lien against the property.

⁴ *See, e.g.*, Ala. Code § 40-10-28; Fla. Stat., § 197.582; Ga. Code Ann. § 48-4-5; Me. Rev. Stat. tit. 36, § 949; 72 Pa. Stat. § 1301.19; 72 Pa. Cons. Stat. Ann. § 1301.2; S.C. Code Ann. § 12-51-130; Tenn. Code Ann. § 67-5-2702; Va. Code Ann. § 58.1-3967; and Wash. Rev. Code Ann. § 84.64.080.

Historically, Minnesota recognized that a homeowner whose property has been sold to satisfy delinquent property taxes had an interest in the excess value of her home above the debt owed. See *Farnham v. Jones*, 32 Minn. 7, 11, 19 N. W. 83, 85 (1884).

31. Instead, Minnesota law now provides that unpaid taxes can result in a judgment being entered on that lien by the district court, followed by a period of redemption. During the redemption period, the owner, or others having certain legal interests in the property, can pay or redeem the delinquent taxes.

32. If the property is not redeemed, however, the property forfeits in its entirety to the State, whereupon it can either be sold or retained and utilized for public benefit. Minnesota counties perform the acts needed to effect the complained-of uncompensated seizures and sales jointly with and/or on behalf of the State and, if the property is sold, receive proceeds from sales of forfeited properties.

33. Minnesota law, however, provides no avenue for the owner to recover the equity or surplus value lost as a result of the seizure and/or sale of his or her property.

34. Hennepin County states publicly – and this statement applies to all other Minnesota Counties – that its (unlawful) actions are taken on behalf of, *i.e.*, together with, in the manner agent and principal interact, the State: “When land is forfeited, no taxes are collected. The tax-forfeited land program is intended to make this state-owned land productive, taxable property again. **The county administers this process for the state.**” *See, e.g.*, <https://www.hennepin.us/residents/property/tax-forfeited-land> (last visited June 22, 2023) (emphasis added).

35. Property that is forfeited is “classified” pursuant to Minn. Stat. Ann. § 282.01; that is, a determination is made whether the property will be kept and used by the State, or sold, with

government retaining all proceeds. *See, e.g.*, <https://www.hennepin.us/residents/property/tax-forfeited-land> (last visited June 22, 2023).

36. Whether forfeited property is sold or held and used for public purposes, the end result is that a homeowner's failure or inability to pay property taxes—often miniscule fraction of the property's value—leads to Defendants physically seizing the property, evicting the owner and other occupants if they remain on the property, and retaining the property or all the money resulting from its sale, thereby appropriating the entirety of the homeowner's excess property value and equity.

37. Unlike a mortgage foreclosure sale, or even Minnesota's seizure and sale of property to satisfy the collection of income taxes, where amounts realized in excess of the debt owed on the property may be held for the owner, in a property tax forfeiture, the Defendants simply confiscate the homeowner's property, no matter how valuable it is or how small the debt. The Defendants neither return the property, nor any portion thereof, nor any sale proceeds, to the owner. Property rights must not be so easily toyed with and Minnesota must not extinguish property rights for the purpose of collecting property taxes when it protects those same rights when collecting income or other taxes or in the context of private mortgage foreclosures.

38. The Defendants are under no statutory obligation to reimburse the homeowner for the amount by which the sale (or value) of the property exceed the unpaid taxes and associated charges and, in fact, do not do so. And there is no statutory process by which the owner can seek to recover any of the money resulting from the sale of the property. The homeowner simply loses both the equity in and value of the property.

39. As an example, assume a homeowner fails to pay \$10,000 in taxes and associated charges on a property worth \$100,000. The property is seized and sold for \$100,000. The owner

receives nothing, even though the sale price far exceeds the total of unpaid taxes and associated costs and the Defendants end up with a windfall of \$90,000.

40. As Hennepin County’s website notes, homeowners often forfeit their properties as the result of misfortunes beyond their control:

Owners fall into financial trouble because of job loss, a sudden and expensive medical crisis, unexpected property expenses, and other reasons. Sometimes these two processes [mortgage foreclosure and tax forfeiture] are occurring at the same time.

See <http://www.hennepin.us/residents/property/tax-forfeited-land>. (last visited June 22, 2023).

41. Furthermore, the forfeiture process can be confusing and complicated, especially for a struggling homeowner. Indeed, the State authored the Minnesota Delinquent Tax and Tax Forfeiture Manual or “Red Book”—a 242-page manual—as a “guide for county auditors and county land commissioners to use in the administration of the law concerning property tax delinquency and tax forfeiture of real property.” See <https://www.revenue.state.mn.us/delinquent-real-property-tax-and-tax-forfeiture-manual> (last visited June 22, 2023).

42. Tax forfeitures have been referred to as a “foreclosure crisis,” https://www.nclc.org/images/pdf/foreclosure_mortgage/tax_issues/tax-lien-sales-report.pdf (last visited June 22, 2023) and have been described as resulting from outmoded (and unconstitutional) state laws like Minnesota’s which are incredibly confusing and present problems to which the elderly are particularly vulnerable. See generally, Mahoney, Emily L., & Clark, Charles T., “Arizona owners can lose homes over as little as \$50 in back taxes”, The Arizona Republic, June 12, 2017, available at <https://www.azcentral.com/story/money/real-estate/2017/06/12/tax-lien-foreclosures-arizona-maricopa-county/366328001/> (describing Arizona’s version of the tax forfeiture process) (last visited June 22, 2023).

CLASS ALLEGATIONS

43. Plaintiff brings this action on behalf of herself and all others similarly situated under Minnesota Rule of Civil Procedure 23 as representative of a Plaintiff Class (“Plaintiff Class”), and any subclasses the Court may deem appropriate, defined as:

All persons or entities who owned or had an ownership interest in real property in Minnesota which was seized pursuant to Minn. Stat., Ch. 282 to satisfy unpaid real estate taxes and associated charges and fines, and which had a value of or was sold for more than the amount necessary to satisfy such taxes and associated charges.

44. Members of the Plaintiff Class and any subclass are so numerous that the individual joinder of all absent Plaintiff Class Members is impracticable. While the exact number of Plaintiff Class Members is unknown to Plaintiff at this time, based upon the widespread nature of the causes of failure to pay real estate taxes, and review of publicly available tax records, the proposed Plaintiff Class likely includes thousands of members.

45. Common questions of law and fact exist as to all Plaintiff Class Members or any subclass. These questions predominate over any questions unique to any individual Member of the Class and include, without limitation:

a. Whether Defendants’ sale and retention of Plaintiff’s and the Plaintiff Class Members’ forfeited properties without remitting to them the excess or surplus value or proceeds resulting from such sale or retention constitutes a taking of private property in violation of the Minnesota Constitution;

b. Whether Defendants’ taking of Plaintiff’s and the Plaintiff Class Members’ forfeited properties for public use was without “just compensation therefor, first paid or secured” and therefore, in violation of Art. I, § 13 of the Minnesota Constitution;

c. Whether Defendants' actions, including retention of the surplus proceeds or equity resulting from the sale of Plaintiff's and Plaintiff Class Members' property, constitute unconstitutional "excessive fines" in violation of Art. I, § 5 of the Minnesota Constitution;

d. Whether Defendants' actions, including retention of the surplus proceeds or equity resulting from the seizure and/or sale of Plaintiff's and Plaintiff Class Members' property, constitute unjust enrichment under Minnesota law;

e. The appropriate measure of damages or equitable compensation to be paid to Plaintiff and Plaintiff Class Members; and

f. Whether injunctive relief is appropriate to halt Defendants' practices as complained of herein.

46. Plaintiff's claims are typical of the claims of the Plaintiff Class. Defendants' actions have affected Plaintiff Class Members equally because those actions were directed at Plaintiff and Plaintiff Class Members and affected each in the same manner. Accordingly, Plaintiff's claims against Defendants based on the conduct alleged in this Complaint are identical to the claims of other Plaintiff Class Members.

47. Plaintiff will fairly and adequately protect the interests of the Plaintiff Class. Plaintiff has no interests adverse to the interests of the Plaintiff Class. Plaintiff is committed to prosecuting this action to a final resolution. She has retained competent counsel who have extensive experience in prosecuting complex class action litigation and questions of constitutional law, including representing Geraldine Tyler, the Plaintiff/Petitioner in *Tyler v. Hennepin County*, 598 U.S. ___, 2023 WL 3632574 (2023), and who will vigorously pursue this litigation on behalf of the Plaintiff Class. A class action is superior to other methods of adjudicating this controversy.

48. The prosecution of separate actions by individual members of the Plaintiff Class would create a risk of inconsistent or varying adjudications, establishing incompatible standards of conduct for Defendants.

49. Defendants have acted or refused to act on grounds generally applicable to the Plaintiff Class.

50. Questions of law and fact common to members of the Plaintiff Class predominate over any individual questions that may be alleged to affect only individual Plaintiff Class Members.

51. The damages sustained by the individual Plaintiff Class Members will not be large enough to justify individual actions when considered in proportion to the significant costs and expenses necessary to prosecute a claim of this nature against Defendants. The expense and burden of individual litigation would make it impossible for members of the Plaintiff Class individually to address the wrongs done to them.

52. Even if every Plaintiff Class Member could afford individual litigation, the court system could not. Class treatment, on the other hand, will permit the adjudication of claims of Plaintiff Class Members who could not individually afford to litigate their claims against Defendants and will permit a large number of similarly situated persons to prosecute their common claims in a single forum simultaneously, efficiently, and without the duplication of effort and expense that individual actions would entail.

53. No difficulties are likely to overcome the manageability of this class action, and no superior alternative exists for the fair and efficient adjudication of this controversy.

54. All Defendants and Defendant Class members are juridically linked. They are all related in a manner that suggests that a single resolution of this matter would be expeditious. See

Streich v. American Family Ins. Co., 399 N.W.2d 210, 215 (Minn. Ct. App. 1987) (citation and quotation omitted). “The juridical link among defendants is generally found in instances “where all members of the defendant class are officials of a single state which are charged with enforcing or uniformly acting in accordance with a state statute ... which is alleged to be unconstitutional.” *Id.*, quoting *Thompson v. Board of Education of the Romeo Community Schools*, 709 F.2d 1200, 1205 (6th Cir. 1983).

55. In addition, or in the alternative, to naming Defendant Counties and/or Defendant Public Officials as juridically-related Defendants herein, Plaintiff seeks certification of a Defendant Class consisting of all Minnesota counties and their respective public officials (collectively referred to hereinafter as the “Defendant Class”), with Hennepin County and Mark V. Chapin and Dan Rogan as representatives of such Defendant Class, defined as follows:

All Minnesota Counties and their respective Auditor-Treasurers that seized property pursuant to Minn. Stat., Ch. 282 to satisfy unpaid real estate taxes and associated charges and fines, and which property had a value of or was sold for more than the amount necessary to satisfy such taxes and associated charges.

56. Members of the Defendant Class are so numerous that the individual joinder of all is impracticable. The 87 counties in Minnesota satisfy the numerosity requirement of Rule 23.

57. Common questions of law and fact exist as to all Defendant Class Members. These questions predominate over any questions unique to any individual Defendant Class Member, and include, but are not limited to:

- a. Whether Defendants’ sale and retention of Plaintiff’s and the Plaintiff Class Members’ forfeited properties without remitting to them the excess or surplus value or proceeds resulting from such sale or retention constitutes a taking of private property in violation of the Minnesota Constitution;

- b. Whether Defendants' taking of Plaintiff's and the Plaintiff Class Members' forfeited properties for public use was without "just compensation therefor, first paid or secured" and therefore, in violation of Art. I, § 13 of the Minnesota Constitution;
- c. Whether Defendants' actions, including retention of the surplus proceeds or equity resulting from the sale of Plaintiff's and Plaintiff Class Members' property, constitute unconstitutional "excessive fines" in violation of Art. I, § 5 of the Minnesota Constitution;
- d. Whether Defendants' actions, including retention of the surplus proceeds or equity resulting from the seizure and/or sale of Plaintiff's and Plaintiff Class Members' property, constitute unjust enrichment under Minnesota law;
- e. The appropriate measure of damages or equitable compensation to be paid to Plaintiff and Plaintiff Class members; and
- f. Whether injunctive relief is appropriate to halt Defendants' practices as complained of herein.

58. The defenses of Defendants Hennepin County, Mark V. Chapin and Dan Rogan are typical of the Defendant Class.

59. Defendant Hennepin County and Mark V. Chapin and Dan Rogan will fairly and adequately protect the interests of the Defendant Class. They have no interests adverse to the interests of the Defendant Class. Hennepin County is the most populous county in Minnesota.

60. A Defendant Class action is superior to other methods of adjudicating this controversy.

61. The prosecution of separate actions against individual members of the Defendant

Class would create a risk of inconsistent or varying adjudications that would establish incompatible standards of conduct for the Defendants.

62. The prosecution of separate actions against individual members of the Defendant Class would also create a risk of adjudications with respect to individual members of the Defendant Class that would as a practical matter be dispositive of the interests of the other members not parties to the adjudications or substantially impair or impede their ability to protect their interests.

63. Defendant Class members have acted or refused to act on grounds generally applicable to the Class, so that final injunctive or equitable relief is appropriate respecting the class as a whole.

64. Questions of law and fact common to members of the Defendant Class predominate over any individual questions that may be alleged to affect only individual Defendant Class Members.

65. All Counts, claims and legal theories pleaded herein are pleaded in the alternative.

66. All Counts, claims and legal theories pleaded herein are pleaded on behalf of the Class.

67. All counts below are against all Defendants and the Defendant Class, unless otherwise noted.

COUNT I
TAKING OF PRIVATE PROPERTY
WITHOUT JUST COMPENSATION IN VIOLATION OF THE
MINNESOTA CONSTITUTION

68. The allegations contained in the foregoing paragraphs are incorporated and repeated in this paragraph.

69. The Minnesota Constitution provides at Article I, § 13: “Private property shall not be taken, destroyed or damaged for public use without just compensation therefor, first paid or secured.”

70. Minnesota’s tax forfeiture statute requires that any excess sale proceeds or value of the property in excess of taxes due be retained by the government. Minn. Stat. § 280.29.

71. The tax forfeiture statutes permit and require the taking of private property without just compensation, which is a deprivation of rights of Plaintiff and Plaintiff Class Members secured under the Minnesota Constitution.

72. The cause of action for a taking in violation of the Minnesota Constitution is brought as a direct action.

73. Plaintiff and Plaintiff Class Members have been injured and damaged by the failure to pay just compensation for the loss of their property and are entitled to equitable relief enjoining further tax seizures and sales pursuant to Minnesota’s unconstitutional property tax collection system, just compensation and other relief as a result.

COUNT II
VIOLATION OF THE EXCESSIVE FINES CLAUSE
OF THE MINNESOTA CONSTITUTION

74. The allegations contained in the foregoing paragraphs are incorporated and repeated in this paragraph.

75. Article I, Section 5 of the Minnesota Constitution prohibits the imposition of excessive fines.

76. Confiscating the entire value of property including the excess or surplus equity in Plaintiff’s and Plaintiff Class Members’ properties because of non-payment of small amounts of real estate taxes is an excessive fine under Article I, Section 5 of the Minnesota Constitution.

77. Defendants are engaged in assessing and collecting prohibited excessive fines.

78. Plaintiff and Plaintiff Class Members have been injured and damaged by the failure to pay just compensation for the loss of their property and are entitled to equitable relief enjoining further tax seizures and sales pursuant to Minnesota's unconstitutional property tax collection system, just compensation and other relief as a result.

COUNT III
MANDAMUS – STATE LAW – INVERSE CONDEMNATION

79. The allegations contained in the foregoing paragraphs are incorporated and repeated in this paragraph.

80. Defendants have taken Plaintiff's and the Plaintiff Class Members' constitutionally protected property in the form of equity and/or monies beyond the amount of unpaid taxes and administrative expenses, costs and interest owed, and have appropriated said equity and/or monies for public use without the payment of just compensation.

81. Defendants have taken Plaintiff's and the Plaintiff Class Members' constitutionally protected property in the form of equity and/or monies beyond the amount of unpaid taxes and administrative expenses, costs and interest owed, and have appropriated said equity and/or monies for public use without using any direct condemnation processes.

82. This cause of action is brought pursuant to Minn. Stat. § 586.01 *et seq.* for a writ or writs of mandamus directing Defendants to (a) commence condemnation proceedings for forfeited properties that are still owned by the State, and (b) compensate Plaintiff and the Plaintiff Class Members in such manner as to restore Defendants' gains to the Plaintiff and the Plaintiff Class Members.

83. Defendants have not provided and will not provide Plaintiff and the members of

the Plaintiff Class any opportunity to claim the surplus equity from the seizure and/or later sale of their respective property, nor do Defendants provide or have a process to claim compensation at the time the Defendants seized their property interests.

84. Defendants have not paid just compensation.

85. Defendants will not now pay just compensation.

86. Defendants do not intend to pay just compensation to Plaintiff and members of the Plaintiff Class.

87. An inverse condemnation with damages has occurred.

88. Plaintiff and the Plaintiff Class Members have suffered damages which this Court can remedy by a writ of mandamus ordering Defendants to (a) commence condemnation proceedings for forfeited properties that are still owned by the State and/or Defendant Counties, and (b) compensate Plaintiff and the Plaintiff Class Members in such manner as to restore all surplus equity to the Plaintiff and the Plaintiff Class Members.

COUNT IV **UNJUST ENRICHMENT**

89. The allegations contained in the foregoing paragraphs are incorporated and repeated in this paragraph.

90. Defendants have illegally seized excess value or equity from Plaintiff and the Class

91. This illegal seizure has unjustly enriched the Defendants at the expense of Plaintiff and the Plaintiff Class.

92. Under these circumstances, it is inequitable for the Defendants to retain the equity from each property where the sales price or value exceeded the Tax Delinquency.

93. Plaintiff and Plaintiff Class Members do not have an adequate remedy at law except as asserted in this Complaint.

COUNT V
VIOLATION OF SUBSTANTIVE DUE PROCESS
UNDER THE MINNESOTA CONSTITUTION

94. Plaintiff and the Plaintiff Class have suffered damages which this Court can remedy by an order and/or judgment for an award of damages.

95. Defendants' actions are arbitrary and capricious and fail to comport with substantive due process under the Minnesota Constitution as it and the relevant Minnesota statutes providing for seizure of the *surplus* are not necessary or even rationally related to the objective sought to be achieved -- collection of delinquent taxes -- and are not a reasonable means to a permissible objective.

96. Plaintiff and the Plaintiff Class have suffered damages which this Court can remedy by an order and/or judgment for an award of damages and/or by awarding appropriate equitable relief.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff requests that:

- a. The Court determine this action may be maintained as a plaintiff class action pursuant to Minnesota Rule of Civil Procedure 23, with Plaintiff being designated as representative of such Plaintiff Class and Plaintiff's undersigned counsel as Class Counsel;
- b. The Court determine that a Defendant Class may be maintained pursuant to Minnesota Rule of Civil Procedure 23, consisting of all Minnesota counties, with Hennepin County, Mark V. Chapin and Dan Rogan named as the representatives

of the Defendant Class;

- c. The Court find that Defendants' taking and sale of Plaintiff's and Plaintiff Class Members' property, including all equity therein, was not attended by payment or securing just compensation to the Plaintiff and Plaintiff Class Members, and as such violates Minnesota Constitution and is *ultra vires*;
- d. The Court find that Defendants' appropriation of Plaintiff's and Plaintiff Class Members' real estate equity is an excessive fine in violation of the Minnesota Constitution and is *ultra vires*;
- e. The Court find relevant provisions of Minn. Stat. § 282 are unconstitutional under the Minnesota Constitution, for properties that have been confiscated but not yet sold, causing such confiscations to be null and void and in violation of the Minnesota Constitution and are *ultra vires*;
- f. The Court order that an injunction issue to prevent enforcement of Minn. Stat. § 282 and that a writ of mandamus issue, compelling Defendants to (a) commence condemnation proceedings for Plaintiff and Plaintiff Class Members' forfeited properties and (b) compensate Plaintiff and the Plaintiff Class Members in such manner as to restore Defendants' gains to the Plaintiff and the Plaintiff Class Members;
- g. The Court award Plaintiff and the Plaintiff Class Members damages and/or just compensation, including prejudgment interest, in an amount to be determined at trial;
- h. The Court award Plaintiff and the Plaintiff Class Members relief in the form of equitable disgorgement, restitution or restitutionary relief in such manner as to

restore Defendants' gains to the Plaintiff and the Plaintiff Class Members, or to the extent that is not possible, to place Plaintiff and the Plaintiff Class in the financial position they would have been in had there been no taking or other unlawful conduct;

- i. The Court award Plaintiff and the Plaintiff Class Members their costs of this suit, including reasonable attorney's fees, as provided by any applicable law;
- j. The Court enjoin all Defendants and members of the Defendant Class from further seizing real estate equity from Plaintiff and the Plaintiff Class in a manner inconsistent with the Minnesota Constitution and suspend all property tax collections pursuant to real property seizures until a new system consistent with the Minnesota Constitution is implemented; and
- k. The Court grant Plaintiff and the Plaintiff Class such other and further relief as the nature of the case may require or as may be deemed just and proper by this Court.

JURY DEMAND

Plaintiff demands trial by jury of all issues triable of right by a jury.

Date: June 23, 2023

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Counsel for Plaintiff and the Plaintiff Class

ACKNOWLEDGMENT

The undersigned hereby acknowledges that sanctions, including costs, disbursements, and reasonable attorney fees, may be awarded pursuant to Minn. Stat. § 549.211 to the party against whom the allegations in this pleading are asserted.

s/Garrett D. Blanchfield

**STATE OF MINNESOTA
COUNTY OF RAMSEY**

**DISTRICT COURT
SECOND JUDICIAL DISTRICT
Case Type: Civil Other**

GERALDINE TYLER, on behalf of herself and all
others similarly situated,

Case No.: 62-CV-19-6012

Plaintiff,

CLASS ACTION

v.

HENNEPIN COUNTY, MINNESOTA, et al.,

Defendants.

SHARON SPORLEDER, on behalf of herself and all
others similarly situated,

Case No.: 62:CV-23-3405

Plaintiff,

CLASS ACTION

v.

STATE OF MINNESOTA, et al.,

Defendants.

DARRIN L. DEMARS and SALLY TRENTI TURK,
on behalf of themselves and all others similarly situated,

Case No.: 69-H1-CV-23-713

Plaintiffs,

CLASS ACTION

v.

ST. LOUIS COUNTY, MINNESOTA, et al.,

Defendants.

SETTLEMENT AGREEMENT

This Settlement Agreement, which memorializes terms agreed to on February 28, 2024, is made and entered into by and between: (i) Plaintiffs Geraldine Tyler, Sharon Sporleder, Darrin Demars and Sally Trenti Turk (“Lead Plaintiffs”), on behalf of themselves and each Settlement Class

Member¹; and (ii) Defendants the State of Minnesota (the “State”); Cynthia Bauerly, in her official capacity as Commissioner, Minnesota Department of Revenue; Robert Doty, in his official capacity as Commissioner, Minnesota Department of Revenue; Lee Ho, in his official capacity as Commissioner, Minnesota Department of Revenue; Paul Marquardt, in his official capacity as Commissioner, Minnesota Department of Revenue; Hennepin County, Mark V. Chapin, Auditor-Treasurer, in his official capacity, and Daniel Rogan, Auditor-Treasurer, in his official capacity; Anoka County and Pam Leblanc Director, Property Records & Taxation, in her official capacity; Blue Earth County and Mike Stalberger, Auditor-Treasurer, in his official capacity; Carver County and Mary Kaye Wahl, Treasurer, and Crystal Campos, Auditor, in their official capacities; Chisago County and Bridgitte Konrad, Auditor-Treasurer, in her official capacity; Clay County and Lori Johnson, Auditor-Treasurer, in her official capacity; Crow Wing County and Deborah Erickson, Administrative Services Director, in her official capacity; Dakota County and Amy Koethe, Auditor-Treasurer-Recorder, in her official capacity; Goodhue County and Brian Anderson, Auditor-Treasurer, in his official capacity; Olmsted County and Kasondra Allen, Auditor-Treasurer, in her official capacity; Otter Tail County and Wayne Stein, Auditor-Treasurer, in his official capacity Ramsey County and Heather Bestler, Auditor-Treasurer, in her official capacity; Rice County and Denise M. Anderson, Property Tax Administrator & Elections Director, in her official capacity; Scott County and Cindy Geis, Auditor-Treasurer, in her official capacity; Sherburne County and Diane Arnold, Auditor-Treasurer, in her official capacity; St. Louis County and Nancy Nilsen, Auditor-Treasurer, in her official capacity; Stearns County and Randy Schreifels, Auditor-Treasurer, in his official capacity; Washington County and Jennifer Wagenius, Director Property Records & Taxpayer Services, in her official capacity; Winona County and Chelsi Wilbright, Auditor-

¹ All capitalized terms not otherwise defined shall have the meanings ascribed to them in ¶III.1 herein.

Treasurer, in her official capacity; and Wright County and Robert Hiivala, Auditor-Treasurer, in his official capacity (“Defendants”) (collectively, Lead Plaintiffs, Defendants and the Participating Counties (defined below) will be referred to as the “Parties”), by and through their undersigned counsel.

This Agreement is intended to fully, finally, and forever compromise, resolve, discharge, release, settle, and dismiss with prejudice the Litigation and the Released Claims, subject to the approval of the Court and the terms and conditions set forth in this Agreement.

I. THE LITIGATION

The above-captioned class action cases that are the subject of this Agreement are pending before the Honorable Chief Judge Leonardo Castro of the Ramsey County District Court (the “Court”) under the captions *Tyler v. Hennepin County* (Case No. 62-CV-19-6012, Ramsey Cnty. April 2, 2020) (“*Tyler*”), *Demars v. St. Louis County* (Case No. 69-H1-CV-23-713, St. Louis Cnty. July 18, 2023) (“*Demars*”), and *Sporleder v. State of Minnesota*, (Case No. 62-CV-23-3405, Ramsey Cnty. June 23, 2023) (“*Sporleder*”) (together, the “Litigation”). The complaints in the Litigation allege, among other things, that the Defendants and a defendant class of all Minnesota counties violated the Minnesota and United States Constitutions by taking properties for nonpayment of Property Tax Obligations without compensating the property owners for the value of their properties in excess of the Property Tax Obligations.

Tyler v. Hennepin County was filed on August 16, 2019, on behalf of a putative class of Hennepin County property owners who lost their properties in tax forfeitures. On April 2, 2020, Defendant Hennepin County removed the case to the United States District Court for the District of Minnesota (Case No. 20-CV-0889 (D. Minn.)). On December 4, 2020, *Tyler* was dismissed pursuant to a motion brought under Rule 12, Fed. R. Civ. P. (505 F. Supp. 3d 879), and the dismissal was

appealed. On February 16, 2022, the United States Court of Appeals for the Eighth Circuit affirmed. *Tyler v. Hennepin County*, 26 F.4th 789 (8th Cir. 2022). On January 13, 2023, the United States Supreme Court issued a writ of certiorari to the Eighth Circuit (143 S.Ct. 644), and on May 25, 2023, the United States Supreme Court reversed and remanded, holding unanimously that plaintiff Geraldine Tyler plausibly alleged a taking under the Fifth Amendment of the U.S. Constitution and that it was error to dismiss her case for failing to state a claim. *Tyler v. Hennepin County*, 598 U.S. 631, 143 S.Ct. 1369 (2023).

On June 28, 2023, *Tyler* was remanded back to the United States District Court for the District of Minnesota (Case No. 20-CV-0889 (Dkt. 59)). *Demars* was commenced on June 2, 2023, as to certain defendants in the St. Louis County District Court, naming the State of Minnesota, the commissioner of the Minnesota Department of Revenue, and St. Louis County as defendants on behalf of a putative plaintiff class of St. Louis County property owners. *Sporleder* was filed on June 23, 2023, naming as defendants the State of Minnesota, current and former commissioners of the Minnesota Department of Revenue in their official capacities, and twenty Minnesota counties and certain officials thereof in their official capacities as defendants. The complaint in *Sporleder* sought certification of a defendant class of all Minnesota counties and a plaintiff class of Minnesota property owners.

On August 17, 2023, the Minnesota Supreme Court assigned *Sporleder* and *Demars* and all pending and future cases “concerning the constitutionality of Minnesota’s property tax forfeiture statutes” to Chief Judge Leonardo Castro in Ramsey County District Court. On September 19, 2023, based on a stipulation of the parties, *Tyler* was remanded to Ramsey County District Court, Second Judicial District. (Case No. 20-CV-0889 (Dkt. 75)). On September 29, 2023, *Tyler* was reassigned

to Chief Judge Castro. On November 20, 2023, Chief Judge Castro entered an order staying discovery pending settlement discussions.

II. SETTLEMENT NEGOTIATIONS

The Parties have engaged in vigorous, arms-length settlement negotiations aimed at resolving the Litigation on a statewide basis, including certification of a plaintiff Settlement Class. These negotiations spanned over eight (8) months, ultimately concluding after three in-person day-long mediation sessions and multiple additional telephone and video meetings between counsel for the Parties. The mediation sessions were conducted by the Honorable James Rosenbaum, Chief Judge, United States District Court for the District of Minnesota (retired).

An agreement-in-principle as reflected in a Settlement Terms Sheet was executed by the Lead Plaintiffs and certain Defendants on February 28, 2024, subject to the negotiation and execution of this final Agreement (including all conditions herein), enactment of a legislative appropriation by the State of Minnesota Legislature to fund the Settlement, the deposit of the \$109 million Settlement Amount into the Escrow Account to be operated for tax purposes as a Qualified Settlement Fund (“QSF”), satisfaction of all notice, due process and other requirements of the Minnesota and United States Constitutions, the Minnesota Rules of Civil Procedure and approval by the Court.

This Agreement reflects the Parties’ final and binding agreement, and a compromise of all matters that are or could have been in dispute between the Parties. This factual recitation is subject to and qualified by the more specific and detailed terms set forth below.

III. TERMS OF THE SETTLEMENT AGREEMENT

IT IS HEREBY STIPULATED AND AGREED, by and between the Parties as follows:

1. **Definitions.** In addition to the terms defined above in parentheses, the following terms, when capitalized, have the meanings specified below when used in this Agreement:

- 1.1. “Additional Review” means the additional review either required by ¶3.4.E.2 or made at the request of Defendants’ Lead Counsel in accordance with ¶3.4.E.1 below, to determine the Surplus Value for Presumptive Eligible Properties, and therefore, to determine whether such Presumptive Eligible Properties constitute Eligible Properties for purposes of this Settlement.
- 1.2. “Approved Claim” means a Claim that the Claims Administrator has approved as valid pursuant to the terms of the Settlement and any order of the Court.
- 1.3. “Approved Claimant” means a Person who submitted an Approved Claim.
- 1.4. “Bank” means the financial institution selected by Lead Plaintiffs’ Class Counsel, with input from Defendants’ Lead Counsel, to hold the Escrow Account and serve as the Escrow Agent and Section 468B Administrator.
- 1.5. “Claim” means a paper or online claim submitted on a Claim Form to the Claims Administrator. All Claims are subject to review and approval as Approved Claims upon satisfaction of all requirements of this Agreement.
- 1.6. “Claimant” means any Person who submits a Claim to the Claims Administrator claiming any ownership interest, lien or other security interest, in a Property forfeited during the relevant Class Period. For the avoidance of doubt, a Claim may not seek recovery for an *ad valorem* property tax lien.

- 1.7. “Claim Form” means the form, whether on paper or online, that a Settlement Class Member must complete and submit to the Claims Administrator to seek a Settlement Payment from the Net Settlement Fund. The Claim Form shall be substantially in the form attached to the Preliminary Approval Order.
- 1.8. “Claims Administrator” means the Person, selected by Lead Plaintiffs’ Class Counsel with input from Defendants’ Lead Counsel and thereafter approved by the Court, to implement and carry out the Notice Plan, administer the Claims pursuant to the Plan of Allocation, calculate the Settlement Payments due for Approved Claims, and oversee distribution of the Settlement Payments to Approved Claimants from the Escrow Account(s).
- 1.9. “Class Notice” means all forms of notice to Settlement Class Members set forth in the Notice Plan or otherwise approved by the Court, including written documents informing Settlement Class Members of their rights, opportunities, and obligations under this Agreement and discussed in ¶ 5.2.
- 1.10. “Class Period” means the period beginning on the Class Period start date through and including December 31, 2023. The Class Period start dates are as follows:
 - A. For Eligible Properties within Hennepin County, August 16, 2012;
 - B. For Eligible Properties within St Louis County, June 2, 2016; and
 - C. For Eligible Properties within all other Minnesota counties, June 23, 2016.
- 1.11. “Claims Period” means the period beginning on the Notice Date and ending 270 days later.
- 1.12. “Counties” means each of the 87 counties of the State of Minnesota.

- 1.13. “County-Related Persons” means the former and current administrators, employees, officials (including, but not limited to, county treasurers, clerks and assessors), insurers, managers, agents, contractors, representatives, and attorneys of a Participating County.
- 1.14. “Court” means the Ramsey County District Court, Second Judicial District of Minnesota.
- 1.15. “Dataset” means the data contained in spreadsheet format gathered and produced to Lead Plaintiffs’ Class Counsel as of May 21, 2024 by the Counties that states, among other things, the Sale Prices and Estimated Market Values for all identified Eligible Properties.
- 1.16. “Date of Forfeiture” means the date of the expiration of the time set by Minnesota law to redeem the property prior to the transfer of absolute title to the State of Minnesota. For Eligible Properties listed on the Dataset, the Date of Forfeiture shall presumptively—subject to correction if shown to be erroneous—be the date listed on Column E of the Dataset.
- 1.17. “Defendants” means: the State of Minnesota (the “State”); Cynthia Bauerly, in her official capacity as Commissioner, Minnesota Department of Revenue; Robert Doty, in his official capacity as Commissioner, Minnesota Department of Revenue; Lee Ho, in his official capacity as Commissioner, Minnesota Department of Revenue; Paul Marquardt, in his official capacity as Commissioner, Minnesota Department of Revenue; Hennepin County, Mark V. Chapin, Auditor-Treasurer, in his official capacity, and Daniel Rogan, Auditor-Treasurer, in his official capacity;, Anoka County and Pam Leblanc Director, Property Records & Taxation, in her official capacity; Blue Earth County and Mike Stalberger, Auditor-Treasurer, in his official capacity; Carver County and Mary Kay Wahl, Treasurer, and Crystal Campos, Auditor, in their official capacity; Chisago County and Bridgitte Konrad, Auditor-Treasurer, in her official capacity; Clay

County and Lori Johnson, Auditor-Treasurer, in her official capacity; Crow Wing County and Deborah Erickson, Administrative Services Director, in her official capacity; Dakota County and Amy Koethe, Auditor-Treasurer-Recorder, in her official capacity; Goodhue County and Brian Anderson, Auditor-Treasurer, in his official capacity; Olmsted County and Kasondra Allen, Auditor-Treasurer, in her official capacity; Otter Tail County and Wayne Stein, Auditor-Treasurer, in his official capacity; Ramsey County and Heather Bestler, Auditor-Treasurer, in her official capacity; Rice County and Denise M. Anderson, Property Tax Administrator & Elections Director, in her official capacity; Scott County and Cindy Geis, Auditor-Treasurer, in her official capacity; Sherburne County and Diane Arnold, Auditor-Treasurer, in her official capacity; St. Louis County and Nancy Nilsen, Auditor-Treasurer, in her official capacity; Stearns County and Randy Schreifels, Auditor-Treasurer, in his official capacity; Washington County and Jennifer Wagenius, Director Property Records & Taxpayer Services, in her official capacity; Winona County and Chelsi Wilbright, Auditor-Treasurer, in her official capacity; and Wright County and Robert Hiivala, Auditor-Treasurer, in his official capacity.

- 1.18. "Defendants' Lead Counsel" means the offices of the Minnesota Attorney General, the Hennepin County Attorney, and the St. Louis County Attorney. In serving as Defendants' Lead Counsel, these offices are not entering into any attorney-client relationship with any Defendant other than those for which they have filed a notice of appearance.
- 1.19. "Distribution Date" shall be the first date authorized by the Court to distribute Settlement Payments to Approved Claimants.
- 1.20. "Effective Date" means the first date after all of the events and conditions specified in ¶13 of the Agreement have been met and have occurred or have been waived.

- 1.21. “Eligible Property” means a Parcel of real property or Severed Mineral Rights that forfeited to the State of Minnesota for nonpayment of Property Tax Obligations during the relevant Class Period, and which has not been repurchased pursuant to Minn. Stat. § 282.241.
- 1.22. “Escrow Account” means an interest-bearing escrow account established and maintained at the Bank by the Escrow Agent. The Escrow Account shall be managed by the Escrow Agent, subject to the Court’s supervisory authority, for the benefit of Lead Plaintiffs and the Settlement Class in accordance with the terms of this Agreement and any order of the Court.
- 1.23. “Escrow Agent” means the financial institution selected by and acting under the direction of the Claims Administrator, subject to the oversight of Lead Plaintiffs’ Class Counsel and Defendants’ Lead Counsel. The Escrow Agent shall administer the Escrow Account.
- 1.24. “Estimated Market Value” means the last estimated market value calculated by the County Assessor for each Eligible Property for the year preceding forfeiture. For example, for a property that forfeited in June of 2022 (*i.e.*, the relevant redemption period expired in June of 2022), the Estimated Market Value would be the Assessor’s January 2, 2021 estimated market value).
- 1.25. “Fee and Expense Award” means the attorneys’ fees and expense reimbursement approved by the Court, together with all interest and accretions earned thereon while held in the Escrow Account, upon an application or applications to be paid from the Settlement Fund, as further described in ¶11.
- 1.26. “Final Approval Hearing” means the hearing to be set by the Court in its Preliminary Approval Order to consider final approval of the Settlement.

- 1.27. “Final Judgment” means the order of the Court, substantially in the form attached to the Preliminary Approval Order, providing final approval of the Settlement pursuant to Minnesota Rule of Civil Procedure 23.05 and dismissing with prejudice the claims of the Lead Plaintiffs and Settlement Class Members against the Defendants and Released Defendant Parties.
- 1.28. “Independent Appraiser” means the independent real estate appraiser to be selected jointly by Lead Plaintiffs’ Class Counsel and Defendants’ Lead Counsel and approved by the Court to make a recommendation at the request of the Special Master as to the Estimated Market Value of Eligible Properties that are subjected to Additional Review.
- 1.29. “Lead Plaintiffs” means Geraldine Tyler, Sharon Sporleder, Darrin L. Demars and Sally Trenti Turk.
- 1.30. “Lead Plaintiffs’ Class Counsel” or “Lead Plaintiffs Class Counsel” means Charles Watkins and David Guin of Guin Stokes & Evans, LLC, Garrett Blanchfield and Roberta Yard of Reinhardt Wendorf & Blanchfield, and Vildan Teske of Teske Law PLLC. “Lead Plaintiffs’ Class Counsel” shall include these attorneys’ respective law firms.
- 1.31. “Legislative Appropriation” means Minnesota H.F. 5246 (Laws of Minnesota 2024, chapter 113), which appropriated the \$109 Million Settlement Amount for deposit into the Escrow Account as soon as practicable but no later than July 31, 2024.
- 1.32. “Litigation” means the actions captioned *Tyler v. Hennepin County*, *Demars v. St. Louis County*, and *Sporleder v. State of Minnesota*, pending before Judge Leonardo Castro.
- 1.33. “Net Settlement Fund” means the Settlement Fund, including all interest or accretions thereto, after payment of the Fee and Expense Award, Service Awards, Taxes and Tax Expenses, and Notice and Administration Costs.

- 1.34. “Non-Participating Counties” means Counties other than the Participating Counties, and includes the former and current administrators, employees, officials (including, but not limited to, county treasurers, clerks and assessors), insurers, managers, agents, contractors, representatives, and attorneys of a Non-Participating County.
- 1.35. “Notice and Administration Costs” means all Court-approved fees, expenses and costs incurred or charged by the Special Master(s), Claims Administrator, Escrow Agent, Bank, Section 468B Administrator, and/or Independent Appraiser in connection with carrying out their duties and responsibilities hereunder.
- 1.36. “Notice Date” means the tenth (10th) day following entry of the Preliminary Approval Order, or such other date as the Court may establish. The Claims Administrator shall commence implementing the Notice Plan on the Notice Date with reimbursement of its fees and costs paid from the Escrow Account upon submission of invoices, and the Claims Period shall run for 270 days following the Notice Date.
- 1.37. “Notice Plan” means the plan and methodology used to identify Settlement Class Members, generate awareness of the Settlement, and provide potential Settlement Class Members with notice of this Settlement and their rights and responsibilities with respect thereto. The Notice Plan shall be substantially in the form attached to the Preliminary Approval Order.
- 1.38. “Opt-Out Deadline” means the Court-ordered date(s) by which all Persons seeking exclusion from the Settlement Class must submit a written Request for Exclusion as set forth in the Class Notice.
- 1.39. “Parcel” means a plot or tract of Property.

- 1.40. “Participating County” means a County that meets the definition of a Participating County as defined in the Legislative Appropriation and includes the County-Related Parties for each such Participating County. For the avoidance of doubt, under the Legislative Appropriation, any County that does not affirmatively notify the Claims Administrator by August 1, 2024, in writing, that it is not a Participating County is deemed to have elected to become a Participating County.
- 1.41. “Parties” refers collectively to the Lead Plaintiffs, Defendants and Participating Counties. “Party” means any one of the Parties.
- 1.42. “Person(s)” means any individual, corporation (including all divisions and subsidiaries thereof), limited liability corporation, professional corporation, partnership, limited partnership, limited liability partnership, limited liability company, joint venture, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and all of their respective spouses, heirs, beneficiaries, executors, administrators, predecessors, successors, representatives, agents, trustees, estates, or assignees when acting in their capacity as such.
- 1.43. Plaintiffs’ Class Counsel means Lead Plaintiffs’ Class Counsel, plus attorneys Shawn Raiter of Larson King LLP and Jerome Feriancek of Trial Group North, PLLP. “Plaintiffs’ Class Counsel” shall include these attorneys’ respective law firms.
- 1.44. “Plan of Allocation” means the plan or formula of allocation of the Net Settlement Fund summarized in ¶3.4 below, whereby the Net Settlement Fund shall be allocated and distributed to Approved Claimants. The Plan of Allocation is independent of this Agreement but shall be presented to the Court for approval with the Preliminary

Approval Motion. Any objection to, or appeal of, the Plan of Allocation shall not delay or hinder the Claims Administration (although any such challenge must be resolved prior to distribution of the Settlement Payments). For example, if the Plan of Allocation is challenged on appeal, the Claims Administrator may continue to accept and process Claims, determine whether properties are Eligible Properties, and determine whether a Claimant is a Settlement Class Member, but it may not distribute Settlement Payments until the Plan of Allocation has become final, unless the Parties agree and the Court approves distribution of Settlement Payments, as set forth in ¶6 below.

- 1.45. “Potential Claimant” means a Person who held any ownership interest, lien or other security interest in a Property that forfeited to the State of Minnesota during the relevant Class Period. **Not all Potential Claimants are Settlement Class Members.**
- 1.46. “Prejudgment Interest” means interest calculated as 4.5% annual simple interest, calculated on a daily basis from the Date of Forfeiture through the Distribution Date, or for any Approved Claims paid after the Distribution Date, through the date of payment. By way of example, if the Surplus Value for an Approved Claim is \$20,000, and if the period of time between the Date of Forfeiture and the Distribution Date is four years and 37 days, the Approved Claimant’s Settlement Payment would be \$23,691.23, calculated as the Surplus Value of \$20,000, plus four years of simple interest at 4.5% (\$900 per year), plus \$91.23 for the partial year (37 days, divided by 365 days in a year, times \$900).
- 1.47. “Preliminary Approval Motion” means the Lead Plaintiffs’ motion submitted to the Court seeking preliminary approval of this Agreement pursuant to Minn. R. Civ. P. 23.05, including submission of the proposed Preliminary Approval Order and all exhibits

thereto. The Preliminary Approval Motion will be filed as soon as practicable after the execution of this Agreement. Defendants agree not to oppose preliminary approval of the Settlement.

- 1.48. “Preliminary Approval Order” means an order entered by the Court granting, *inter alia*: (i) the preliminary approval of the Settlement set forth in this Agreement; (ii) preliminary certification of the Settlement Class; (iii) approval of and authorization to implement the Notice Plan; (iv) approval of the Claim Form; (v) appointment of the Special Master, Independent Appraiser, the Bank, and Section 468B Administrator, (vi) appointment of the Lead Plaintiffs, (vii) appointment of Lead Plaintiffs’ Class Counsel and Plaintiffs’ Class Counsel; (viii) establishing the deadlines and requirements to file an objection to or Request for Exclusion from the Settlement; and (ix) approval of the Plan of Allocation. The proposed Preliminary Approval Order and all exhibits thereto (including the Notice Plan and Final Judgment) shall be prepared by the Parties with sufficient time for Lead Plaintiffs to timely file the Preliminary Approval Motion.
- 1.49. “Presumptive Eligible Properties” means forfeited Properties described in ¶¶ 3.4 which may be subject to Additional Review to determine their Surplus Value or whether they constitute Eligible Properties.
- 1.50. “Property” means real estate.
- 1.51. “Property Tax Obligation” means the sum of all delinquent taxes, interest, penalties, fees, special assessments and costs that were canceled upon a Property’s forfeiture, all as reflected in Column K of the Dataset.
- 1.52. “Released Claims” means, collectively, any and all claims, demands, rights, liabilities, suits, debts, obligations, and causes of action of every nature and description whatsoever,

known or unknown, in law or in equity, based on state or federal law, the United States Constitution, or the Minnesota Constitution that the Lead Plaintiffs or any other Settlement Class Members asserted or could have asserted in the Litigation against any Released Defendant Party, or which any Released Defendant Party could have asserted in the Litigation against any Lead Plaintiff or Settlement Class Member or their attorneys, agents or representatives, in any way relating to or arising from claims and defenses asserted in the Litigation, or which in any way relate to or arise from the Lead Plaintiffs' or Settlement Class Members' Property Tax Obligation or the forfeiture, foreclosure, or sale by the State or any Participating County of any Eligible Property, or relating to the Defendants' or Participating Counties' retention of either the Eligible Properties or the value of such Eligible Properties in excess of such Eligible Properties' Property Tax Obligation(s).

- 1.53. "Released Defendant Party" or "Released Defendant Parties" means the Defendants, the State of Minnesota and each of its agencies, instrumentalities, and political subdivisions (including Participating Counties, cities, townships, school districts, and all of their past, present, or future officials, employees, and any other agents including each of the Defendants in the Litigation), any recipients other than the Non-Participating Counties of funds distributed per Minn. Stat. § 282.08 or other applicable law, and any successors to the State's interest in an Eligible Property. Released Defendant Party(ies) does not include Non-Participating Counties.
- 1.54. "Request for Exclusion" means a written request that is submitted to the Claims Administrator on behalf of a Settlement Class Member who requests to be excluded from the Settlement Class. To be effective, a Request for Exclusion must be in writing, timely

received by the Claims Administrator on or before the Opt-Out Deadline, and must provide the information required in the Class Notice and Preliminary Approval Order.

- 1.55. “Sale Price” is the gross amount received by a Participating County when selling an Eligible Property following its forfeiture.
- 1.56. “Section 468B Administrator” means the administrator of the Escrow Account for the purpose of Section 468B of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder. The Escrow Agent shall serve as the Section 468B Administrator.
- 1.57. “Service Awards” means the Court-approved monetary awards to Lead Plaintiffs paid from the Settlement Fund, together with all interest and accretions earned thereon while held in the Escrow Account, as compensation for their services to the Settlement Class, as further described in ¶12.
- 1.58. “Settlement” means the resolution of the Litigation pursuant to the terms and conditions of this Agreement.
- 1.59. “Settlement Amount” means the sum of One Hundred and Nine Million Dollars (U.S. \$109,000,000.⁰⁰).
- 1.60. “Settlement Class” means the plaintiff class, to be certified for purposes of this Settlement pursuant to Minnesota Rule of Civil Procedure 23.01 and 23.02(c), of Persons identified in ¶2.1 below.
- 1.61. “Settlement Class Member” means a Person who falls within the definition of the Settlement Class as set forth in ¶2.1 below.
- 1.62. “Settlement Fund” means the Settlement Amount plus all interest and accretions thereto.

- 1.63. "Settlement Payment" means the amount, including Prejudgment Interest, to be paid to each Approved Claimant from the Net Settlement Fund pursuant to the Plan of Allocation.
- 1.64. "Severed Mineral Rights" means title to the mineral estate of a Property. If a Claimant was separately deeded both the Severed Mineral Rights and the surface rights to a Property as of the Date of Forfeiture, for purposes of this Settlement the surface rights and Severed Mineral Rights shall be deemed to have merged and the Claimant may seek recovery only for the Surplus Value of the surface Parcel.
- 1.65. "Special Master" means the Person or Persons appointed by the Court to (a) allocate Settlement Payments among Approved Claimants where more than one Claim has been submitted as to an Eligible Property if such Claimants have not agreed among themselves as to an appropriate division of the Settlement Payment and the Claims Administrator refers such allocation to the Special Master, (b) determine the Surplus Value for Eligible Properties for which Additional Review is conducted, (c) review denied Claims at the request of the denied Claimant, and (d) perform such other duties with respect to the administration of the Settlement as the Court, or Parties jointly, may require.
- 1.66. "Summary Notice" means an abbreviated version(s) of the notice, to be prepared by Lead Plaintiffs' Class Counsel, with input from Defendants' Lead Counsel, in consultation with the Claims Administrator to be used in print media and included in the Notice Plan.
- 1.67. "Surplus Value" means the value for Settlement purposes of each Eligible Property (other than Severed Mineral Rights) in excess of the Property Tax Obligations associated with such Eligible Property, as determined in accordance with the Plan of Allocation. The

Surplus Value for Severed Mineral Rights shall be \$300 per Parcel and shall not be reduced by any associated Property Tax Obligations.

1.68. "Taxes" means any and all federal, state and local income taxes, excise taxes, estimated taxes, gross receipt taxes, or any other taxes, as well as interest, penalties, tax detriments, and any other additions to taxes, arising with respect to the income of the Escrow Account or the operations of the Escrow Account, including any such federal, state and local taxes (and interest, penalties, tax detriments, and additions to tax) with respect to (i) any income earned by the Escrow Account for any period during which the Escrow Account is not treated, or does not qualify, as a "qualified settlement fund" for federal or state income tax purposes, and (ii) the payment or reimbursement by the Escrow Account of any amounts described in clause (i) of this ¶ ____.

1.69. "Tax Expenses" means expenses and costs incurred in connection with the operation and implementation of the Escrow Account (including expenses of attorneys and/or accountants and mailing and distribution costs and expenses relating to filing, or failing to file, any Tax returns, including any such costs and expenses relating to filing, or failing to file, returns in respect of distributions from the Escrow Account).

2. **Settlement Class**. For purposes of this Settlement, the Parties agree to the certification of a Settlement Class, pursuant to Minnesota Rules of Civil Procedure 23.01, 23.02(c), and 23.05 as provided below:

2.1. **Definition**. The Settlement Class means:

All Persons, their heirs, assignees and successors, who, during the Class Period(s), held any ownership interest, lien or other security interest, in an Eligible Property at the time of Forfeiture for which there is Surplus Value.

2.2. **Exclusions**. The following will be excluded from the Settlement Class:

- A. Released Defendant Parties are excluded from the Settlement Class for the purpose of seeking recovery for an *ad valorem* property tax lien but may participate in the Settlement to the extent they seek recovery for other liens;
- B. Any Judge assigned to hear any portion of this Litigation and their law or similar clerk(s);
- C. All persons who satisfy the Settlement Class definition and submit a timely and valid Request for Exclusion from the Settlement Class; and
- D. All former holders of a lien against an Eligible Property that has been satisfied or released since the Date of Forfeiture.

2.3. Class Representatives. The Parties agree to the appointment of the Lead Plaintiffs as representatives for the Settlement Class subject to Court approval.

2.4. Class Counsel. The Parties agree to the appointment, subject to Court approval, of Lead Plaintiffs' Class Counsel and Plaintiffs' Class Counsel pursuant to Minn. R. Civ. P. 23.07. Lead Plaintiffs' Class Counsel shall have the duties and obligations set forth in the Preliminary Approval Order.

2.5. Certification for Settlement Purposes Only. The certification of the Settlement Class shall be binding only with respect to the Settlement of the Litigation and only if the Effective Date occurs. Nothing in this Settlement Agreement shall serve as evidence of or support for certification of a class, in this Litigation or any other action, other than for settlement purposes, and the Parties intend that the provisions of this Agreement concerning certification of the Settlement Class shall have no effect in the event and to the extent that the Settlement does not become final. Each Defendant expressly reserves the right to contest class certification as to that Defendant in the event the Settlement is terminated.

3. **Settlement Amount.** Subject to the provisions hereof, the State shall pay or cause to be paid the Settlement Amount of \$109 million (\$109,000,000.⁰⁰) into the Escrow Account in immediately available funds as soon as is practicable after the execution of this Agreement but no later than July 31, 2024.

3.1. **Intention of the Parties.** It is the intention of the Parties that all eligible class members receive compensation at the conclusion of the Claims Period and that Approved Claims be paid promptly and prior to the reversion of any balance of the Settlement Amount to the State and the reversion date is not intended to prevent the settlement from being implemented. The Parties will work to achieve the intent of this Agreement.

3.2. **Failure to Fund.** Without prejudice to Lead Plaintiffs' right to seek enforcement or specific performance of this Agreement, if the State does not timely deposit the entire \$109 million Settlement Amount into the Escrow Account by July 31, 2024, Lead Plaintiffs may rescind this Agreement if: (i) Lead Plaintiffs' Class Counsel have first notified Defendants' Lead Counsel in writing of their intention to rescind this Agreement; and (ii) all amounts owed by the State are not transferred to the Escrow Account(s) within five (5) business days after Lead Plaintiffs' Class Counsel have provided such written notice of insufficient payment.

3.3. **Allocation among Settlement Class Members.** Settlement Payments to Approved Claimants shall be paid from the Net Settlement Fund pursuant to the Plan of Allocation.

3.4. **Plan of Allocation.** Unless reduced *pro rata* as provided in ¶ 3.6.A, and subject to allocation among competing Approved Claims as provided in ¶ 3.4, below, or claims where both an Approved Claim and a Request for Exclusion are allowed as provided in ¶ 3.5, below, Approved Claimants shall be paid 90% of the Surplus Value of Eligible

Properties other than Severed Mineral Interests, plus Prejudgment Interest, or for Severed Mineral Rights, shall be paid \$300 per Parcel, plus Prejudgment Interest. Surplus Value (before Prejudgment Interest) shall be calculated as follows:

- A. The Surplus Value is the difference between an Eligible Property's Sale Price and the Property Tax Obligation where the Sale Price was at least 60 percent of Estimated Market Value;
- B. If the Sale Price was less than 50% of Estimated Market Value or if no sale occurred, the Surplus Value is the difference between the Estimated Market Value and the Property Tax Obligation;
- C. If a sale occurred and the Sale Price was between 50 and 60 percent of the Estimated Market Value, the Surplus Value is the average of the actual Sale Price and the Estimated Market Value;
- D. The Surplus Value for all Severed Mineral Rights shall be \$300 per Parcel without any reduction for the associated Property Tax Obligation, and,
- E. Calculation of the Surplus Value for the following properties may require Additional Review:
 1. Parcels for which Defendants' Lead Counsel may require Additional Review by the Special Master:
 - a. Presumptive Eligible Properties where the Surplus Value calculated by the Claims Administrator exceeds \$100,000; and
 - b. Presumptive Eligible Properties where the Estimated Market Value exceeded the Sale Price (for sold Properties) by \$100,000 or more.

2. Presumptive Eligible Properties for which Additional Review by the Special Master is mandatory are as follows:
 - a. Where the Presumptive Eligible Property was either divided or combined with other Parcels following forfeiture, such that the Estimated Market Value and/or Sale Price must be allocated among the divided or combined Parcels;
 - b. Where the Presumptive Eligible Property was reported on the Dataset as being “exempt” or part of a common element or where the information on the Dataset is not sufficiently complete for the Claims Administrator to determine the Sale Price (if sold) and/or the Estimated Market Value; and
 - c. Presumptive Eligible Properties where revenues to the State or Participating County for the sale of timber since the redemption period expired have exceeded 120% of the Estimated Market Value. In such cases, the Special Master shall determine whether and in what amount to adjust the Estimated Market Value after considering the sales value of the Presumptive Eligible Property’s timber.
- F. The Special Master may use the services of the Independent Appraiser as appropriate to make a recommendation as to the Estimated Market Value of Presumptive Eligible Properties that are subjected to Additional Review.
- G. If requested to do so by the Special Master, the Independent Appraiser shall review the Dataset and the Presumptive Eligible Property (to the extent feasible) and any materials the involved Participating County reasonably can provide relevant to the assessment or appraisal of such Eligible Property. The Claimant may similarly submit

to the Special Master and/or Independent Appraiser any information the Claimant deems pertinent to calculating the Estimated Market Value. Any submission to the Special Master by either the Claimant or the Independent Appraiser will be in the form of a short, written explanation of the Eligible Property's market value at the time of forfeiture. Lead Plaintiffs' Class Counsel do not represent any Claimant (other than Lead Plaintiffs) who may be subject to Additional Review; however, Claimants whose Presumptive Eligible Properties are subject to Additional Review may be represented by counsel they retain at their own expense, or may, at their own expense, retain the services of their own real estate appraiser.

- H. If all Claimants with respect to a Presumptive Eligible Property and the Independent Appraiser reach an agreement in writing on the Surplus Value, they may then provide the agreed Surplus Value to the Special Master, who shall accept their agreed Surplus Value amount and provide it to the Claims Administrator without further review. In the event of a continued disagreement as to the Estimated Market Value or Surplus Value, the Special Master shall make a binding, non-appealable decision which shall be provided to the Claims Administrator.
- I. The total costs and expenses of the Special Master and Independent Appraiser shall initially be capped at \$200,000. Payments to the Special Master and Independent Appraiser may exceed the initial budget of \$200,000 if the Claims Administrator reports to the Parties that there will be enough monies available in the Net Settlement Fund to cover the Settlement Payments for all Approved Claims. If the Parties conclude that the costs of the Special Master and Independent Appraiser appear likely to reduce Settlement Payments, the Parties will meet and confer regarding the source

of additional payments for the Special Master and Independent Appraiser. Any disagreement between the Parties as to such additional payments shall be submitted to the Court for decision.

J. Lead Plaintiffs' Class Counsel, Defendants' Lead Counsel, and the Special Master and Independent Appraiser shall work cooperatively to develop a timeline and process for conducting the Additional Reviews.

3.5. Competing Claims with respect to an Eligible Property. Where more than one Approved Claim has been submitted as to an Eligible Property, the Settlement Payment shall be allocated between the Approved Claims as follows:

A. Allocation by Agreement of Claimants. If the holders of all Approved Claims as to a single Eligible Property consent in writing, the Claims Administrator shall pay such Approved Claims in accordance with such Approved Claimants' agreement; or

B. Allocation by Claims Administrator. The Claims Administrator shall allocate the Settlement Payment among competing Approved Claims based upon the order of priority as determined by Minnesota law.

C. Ruling by Special Master. If ¶3.4.A does not apply and the Claims Administrator is unable to determine the priority of Approved Claims pursuant to the Plan of Allocation under ¶3.4.B, the Claims Administrator shall refer the matter to the Special Master to determine the allocation of the Settlement Payment among the Approved Claimants for that Eligible Property. Lead Plaintiffs' Class Counsel do not represent said Settlement Class Members (other than the Lead Plaintiffs) in any disputes under this Paragraph. Settlement Class Members may retain counsel at their own expense. Lead Plaintiffs' Class Counsel and the Special Master shall work

cooperatively to develop a timeline and process for resolving disputes among competing Claimants.

- D. Limitation on Claims. Notwithstanding the foregoing, if there are multiple Approved Claims for a single Eligible Property, the Approved Claimants shall not receive in the aggregate more than 100% of the approved Settlement Payment related to such Eligible Property.

- 3.6. Competing Claim(s) and Exclusion Request(s) Received with Respect to the Same Eligible Property. If the Claims Administrator receives both one or more Claims and one or more Requests for Exclusion with respect to an Eligible Property, the question of whether and in what proportions the Claim may be allocated and paid among Approved Claimants shall be made by the Special Master. For example, if a Settlement Class Member timely files a valid Request for Exclusion, but another Settlement Class Member timely files a valid Claim with respect to the same Eligible Property, the Special Master may determine whether and to what extent the non-opting out Settlement Class Member's Claim may be paid while preserving the rights of the other Settlement Class Member to exclude and preserve their excluded Claim.

- 3.7. Balance Remaining in Net Settlement Fund.

- A. If the Amount of All Approved Claims Exceeds Balance of Net Settlement Fund. Subject to ¶3.3.I. above, if the Claims Administrator determines, subject to oversight by Lead Plaintiffs' Class Counsel, that the total amount of all Approved Claims exceeds the balance of the Net Settlement Fund, the Settlement Payment for each Approved Claim shall be reduced *pro rata* as necessary to pay all Approved Claims from the Net Settlement Fund as determined by the Claims Administrator.

B. If Balance of Net Settlement Fund Exceeds the Amount of All Approved Claims.

1. Any monies remaining in the Net Settlement Fund, including all interest on and accretions thereto, shall revert and be repaid to the State pursuant to the terms of the Legislative Appropriation.
2. The Final Judgment shall provide that amounts that have been calculated and reserved for payment by the Claims Administrator as of June 30, 2026 for Settlement Payments, Notice and Administration Costs, Taxes and Tax Expenses, Service Awards or any portion of the Fee and Expense Award shall not be considered to be “money that remains unspent on June 30, 2026” within the meaning of Section 1, Subd. 5 of the Legislative Appropriation. For avoidance of doubt, funds that shall not be considered to constitute “money that remains unspent on June 30, 2026” within the meaning of Section 1, Subd. 5 of the Legislative Appropriation include, but are not limited to: (a) checks or electronic transfers paid from the Escrow Account that have not cleared, (b) Settlement Payments or other payments that have been determined to be owed but have not been processed for payment, and (c) Settlement Payments, payments for Notice and Administration Costs, Service Awards, Taxes, Tax Expenses, or any portion of Fee and Expense Awards or other payments that the Claims Administrator has reserved for payment.

In addition, the Parties agree that the categories of funds identified in subparagraphs (a)-(c) above are not exhaustive, and that they will continue to negotiate in good faith about any additional categories of funds that should be considered “unspent” within the meaning of Section 1, Subd. 5 of the Legislative

Appropriation. Defendants' Lead Counsel and Lead Plaintiffs' Class Counsel will attempt to reach agreement to determine if any additional categories of funds should be considered "unspent" by May 1, 2026. In the event they are unable to reach agreement by that date, such determination shall be made by the Court.

The Parties further agree that if the Effective Date has not been reached by January 15, 2026, Defendants will seek an amendment to the Legislative Appropriation that modifies the reversion date contained in the Legislative Appropriation. Plaintiffs acknowledge that the Legislature must approve any amendment. Plaintiffs further agree to provide reasonable support of any effort by the Defendants to amend the reversion date.

4. **Preliminary Approval.**

4.1. Motion for Preliminary Approval. As soon as practicable after the execution of this Agreement, Lead Plaintiffs shall move the Court to enter the proposed Preliminary Approval Order.

4.2. Litigation Bar Pending Final Settlement Approval. Pending a final determination of whether the Settlement should be finally approved, all aspects of the Litigation shall remain stayed except for activities related to the approval or enforcement of the Settlement, and all Settlement Class Members shall, absent permission of the Court, be barred and enjoined from prosecuting any of the Released Claims against any of the Released Defendant Parties.

5. **Notice and Administration.**

5.1. Claims Administration. The Claims Administrator shall administer the process of soliciting, receiving, reviewing, approving or denying Claims, communicating with

Settlement Class Members, sending notices of deficiency and receiving corrections or supplements, and distributing Settlement Payments and other distributions from the Escrow Account in accordance with this Agreement and the Preliminary Approval Order. The Claims Administrator shall provide timely invoices and reports to Lead Plaintiffs' Class Counsel and Defendants' Lead Counsel on request and at least monthly summarizing its work, including (a) Claims Received (number and dollar amounts of Surplus Value represented); (b) Claims approved; (c) deficient Claims; (d) Claims for which deficiencies have been cured; (e) Claims as to Presumptive Eligible Properties identified, referred for Additional Review, and status thereof; (f) balance of Net Settlement Fund as compared to Approved Claims and Claims remaining in process; and (g) such other reports as Lead Plaintiffs' Class Counsel and/or Defendants' Lead Counsel may request.

5.2. Notice Plan.

- A. On the Notice Date or other date set by the Court, the Claims Administrator shall commence implementing the Notice Plan, including but not limited to the following actions:
1. The mailing by first-class mail of the Class Notices specified in the Notice Plan. The Claims Administrator may use the Dataset to locate interested parties but shall also undertake additional reasonable efforts to locate putative Settlement Class Member addresses. Participating Counties will provide reasonable access to public property tax records upon request.
 - a. Before sending the Class Notices, the Claims Administrator shall run all addresses provided on the Dataset through the National Change of

Address database.

- b. The Claims Administrator shall request forwarding addresses where possible. The Claims Administrator will forward any Notice that is returned with a forwarding address to the forwarding address within fourteen (14) days of receiving the returned mail and shall update the Potential Claimant address list with all forwarding addresses.
 - c. The Claims Administrator will also undertake reasonable efforts to identify potential lienholders and to identify potential heirs of deceased former owners of Eligible Properties, such as by attempting to identify heirs through obituaries or from information provided by former neighbors.
2. The Claims Administrator will undertake to provide additional Notice by publication of the Summary Notice and otherwise pursuant to the terms of the Notice Plan or in whatever other manner requested by Lead Plaintiffs' Class Counsel.
 3. The Notice Plan shall employ both paid and unpaid media efforts and targeted social media advertising, television, radio, newspaper and billboard media as well as postings on mutually agreed upon Defendant websites and collection of contact information for Potential Claimants or family members from publicly available lists and sources.
 4. Lead Plaintiffs' Class Counsel, Defendants' Lead Counsel and the Claims Administrator will work in good faith to agree to additional methods of providing Notice to the Settlement Class that are reasonably calculated to provide robust

notice to potential Settlement Class Members. Such methods shall include, without limitation, direct mail, television advertising (including through streaming video providers), radio advertising, publication in newspapers and other print media, digital advertising (including social media), press releases, paid and unpaid media, billboards, and creation and maintenance of a website (along with search engine optimization efforts) and toll-free telephone number.

5.3.Claim Form. The Claim Form shall be approved by the Court and shall require sufficient information for the Claims Administrator to assess whether the Person submitting the claim is a Settlement Class Member. The Claim Form shall include a release of the Released Claims against all Released Defendant Parties.

5.4.Claims Period.

- A. Settlement Class Members shall have 270 days from the Notice Date or until such other later date ordered by the Court to submit a Claim Form to the Claims Administrator.
- B. The deadline for filing Claim Forms shall be identified and prominently highlighted in the Class Notice and the Summary Notice and website and elsewhere as appropriate.
- C. Any Settlement Class Member who fails to submit a Claim by the end of the Claims Period shall be presumptively barred from receiving any Settlement Payment, but shall in all other respects be subject to and bound by all of the terms and provisions of this Agreement.
- D. A Claim shall be deemed to be submitted on the earliest of the date that it is received by the Claims Administrator, or the date when it was posted or sent, if received with

a postmark or similar indication on the envelope and if mailed by first-class mail or other delivery service and properly addressed.

- E. Each Claim Form shall be submitted to and reviewed by the Claims Administrator, under the supervision of Lead Plaintiffs' Class Counsel. The Claims Administrator shall determine, in accordance with this Agreement and the approved Plan of Allocation, the extent, if any, to which each Claim shall be allowed, subject to review by the Special Master pursuant to ¶5.4.F below.
- F. Subject to the oversight of Lead Plaintiffs' Class Counsel, the Claims Administrator may reject Claim Forms that do not meet the submission requirements. Prior to rejecting a Claim Form, the Claims Administrator shall communicate with the Claimant in writing to give the Claimant the chance to remedy any curable deficiencies in the Claim Form submitted. The Claims Administrator, under the supervision of Lead Plaintiffs' Class Counsel, shall notify, in a timely fashion and in writing, all Claimants whose Claims the Claims Administrator proposes to reject in whole or in part for curable deficiencies, setting forth the reasons therefor, and shall indicate in such notice that the Claimant whose Claim is to be rejected has the right to a review by the Special Master if the Claimant so desires and complies with the requirements of ¶5.4.H below.
- G. The initial review of Claims by the Claims Administrator should be completed within ninety (90) days following the expiration of the Claims Period, but may remain subject to the cure of deficient claims, probate proceedings, Additional Review, or similar continuing administration.

- H. If any Claimant whose timely Claim has been rejected in whole or in part desires to contest such rejection, the Claimant must, within thirty (30) calendar days after the date of mailing of the notice required in ¶5.4.F above, or twenty-one (21) calendar days after the date of mailing of the notice if the Claim was untimely, serve upon the Claims Administrator a statement of reasons indicating the Claimant's grounds for contesting the rejection along with any supporting documentation, and requesting a review thereof by the Special Master for a final, binding and non-appealable determination.
- I. Each Settlement Class Member who has not been excluded from the Settlement Class shall be deemed to have submitted to the jurisdiction of the Court with respect to the Released Claims.
- J. Following the Effective Date, the Net Settlement Fund shall be distributed to the Approved Claimants in accordance with the Plan of Allocation.

5.5. Approved Claimants.

- A. Unrecorded Interests. As to each Claim asserting an unrecorded ownership interest, lien or other security interest in an Eligible Property, the Claimant shall be required and advised to submit an affidavit or declaration, including all relevant documentation setting forth the factual and legal bases for any asserted unrecorded ownership interest, lien or other security interest. With regard to claims of an ownership interest, lien or other security interest in an Eligible Property through adverse possession, the affidavit or declaration shall set forth facts to show all of the elements of adverse possession under Minnesota law.
- B. Individual Claim Determinations. The approval and denial of individual Claims is a matter separate and apart from the Settlement between the Defendants and the Lead Plaintiffs, and any decision by the Claims Administrator, the Special Master, or the Court concerning the approval or denial of a particular Claim shall not affect the validity or finality of the Settlement.

6. Distributions.

- 6.1. No funds from the Settlement Fund shall be distributed until the Effective Date.
- 6.2. The Settlement Fund, with all interest and accretions earned, shall be paid out pursuant to the Plan of Allocation (§3.4), supra.

7. Objections and Requests for Exclusion.

- 7.1. Time for Objecting or Requesting Exclusion. Settlement Class Members shall have 60 days from the Notice Date to notify the Claims Administrator of either their objection to any term of the Settlement, or their Request for Exclusion from the Settlement Class. Settlement Class Members may object to a term of the Settlement and remain in the

Settlement Class, but a Settlement Class Member who submits a Request for Exclusion from the Settlement Class cannot object.

7.2. Information Required.

A. Requests for Exclusion. Settlement Class Members requesting exclusion from the Settlement Class must provide the information to the Claims Administrator required in the Class Notice, including:

1. Name;
2. Current mailing address;
3. Telephone number;
4. Address, parcel number, and/or legal description of the Eligible Property;
5. Documentation and explanation of the full extent of their ownership interest, lien or other security interest in the Eligible Property (*e.g.*, if the ownership interest is partial (*e.g.*, a contingent or partial interest in the Property));
6. County in which the Eligible Property is located;
7. A statement that the Approved Claimant wishes to be excluded from the Settlement Class; and
8. A signature of the Potential Claimant requesting exclusion. Requests signed solely by a lawyer or attorney-in-fact for a Person requesting exclusion are not valid.

B. Objections. Settlement Class Members who wish to object to any term of the Settlement must send a letter or other written statement explaining the reasons for their objection to the Claims Administrator. This letter or statement must include all

information necessary to determine the objector's membership in the Settlement Class or otherwise required in the Class Notice, including:

1. Description of the objection, including any applicable legal authority and any supporting evidence;
2. Full name, address, email address, and telephone number;
3. Physical address, parcel number, and/or legal description of the Eligible Property;
4. Documentation of the full extent of the objector's ownership interest, liens or other security interests, in the Eligible Property, including whether the objector's interest in the property is contingent or partial;
5. Whether the objection applies classwide, only to a subset of the Settlement Class, or only to the objector;
6. A statement of the number of times in which that objector has objected to a class action or class action settlement within five years preceding the submission of the objection, the caption of the case for each prior objection, and a copy of any relevant orders addressing the objection;
7. The identity of all counsel who represent or assist (such as by "ghostwriting" filings) the objector with respect to the objection, including former or current counsel who may be entitled to compensation for any reason related to the objection, along with a statement of the number of times in which that counsel has objected to a class action or class action settlement within five years preceding the submission of the objection, the caption of the case for each prior objection, and a copy of any relevant orders addressing the objection;

8. Any agreements that relate to the objection or the process of objecting between you, your counsel, and/or any other person or entity;
9. The objector's and attorney's signature on the written objection; and
10. A statement indicating whether the objector intends to appear at the Final Approval Hearing (either personally or through counsel).

C. Record of Communications with Objectors or Persons Submitting a Request for Exclusion. The Claims Administrator shall maintain a list of and forward copies of all objections, Requests for Exclusion, and any revocations of such Requests for Exclusion or withdrawals of objections to Lead Plaintiffs' Class Counsel and Defendants' Lead Counsel within three business days of receipt by the Claims Administrator.

7.3. Excluded Settlement Class Members Have No Rights Under Settlement Agreement.

Settlement Class Members who submit a valid and timely Request for Exclusion in the manner set forth in the Notice shall have no rights under the Settlement, shall not receive any distribution under the Settlement, and shall not be bound by the Settlement or any final judgment. Unless otherwise ordered by the Court, any Settlement Class Member who does not submit a timely written Request for Exclusion as provided by this ¶7 shall be bound by the terms of this Settlement including, without limitation, all of the releases contained herein.

7.4. Revocation of Request for Exclusion. Excluded Settlement Class Members may revoke a Request for Exclusion during the Claims Period. Such revocation shall be in writing and include a statement that the Settlement Class Member wishes to revoke their request

to be excluded from the Settlement Class, and shall be submitted to the Claims Administrator.

7.5. **Blow-up Clause.** As shall be set forth in a separate agreement (the “Supplemental Agreement”) executed between Lead Plaintiffs’ Class Counsel and counsel for the State, the State shall have the right to terminate the Settlement and this Agreement and render it null and void in the event that Requests for Exclusion that are valid and timely in all respects are submitted by Persons who would otherwise be Members of the Settlement Class meet the conditions set forth in the Supplemental Agreement. The Settling Parties agree to enter into such Supplemental Agreement subject to an order first being entered to maintain its confidentiality prior to expiration of the deadline for submitting Requests for Exclusion to the Claims Administrator. The Supplemental Agreement shall be filed under seal with the Court and its terms shall not be disclosed in any other manner (other than the statements herein and in the Notice, to the extent necessary, or as otherwise provided in the Supplemental Agreement), unless and until the Court requires the Settling Parties to disclose its terms or a dispute arises between Lead Plaintiffs and Defendants concerning its interpretation or application, or until after expiration of the time permitted for submitting Requests for Exclusion. The parties will discuss and agree to a “blow-up” provision in good faith.

8. **Escrow Account.** The Escrow Account shall be established at the Bank with such Bank serving as Escrow Agent subject to escrow instructions regarding investment types and reinvestment of income and proceeds mutually acceptable to Lead Plaintiffs’ Class Counsel and Defendants’ Lead Counsel and consistent with ¶8.2 below. Such Escrow Account is to be administered by the Escrow Agent under the Court’s continuing supervision and control.

- 8.1. No monies shall be paid from the Escrow Account without the specific written authorization of Lead Plaintiffs' Class Counsel and Defendants' Lead Counsel, and such authorization shall not be unreasonably withheld. Counsel for the Parties agree to cooperate, in good faith, to negotiate and execute an appropriate and separate escrow agreement in conformance with this Agreement prior to the date on which any portion of the Settlement Amount is required to be paid pursuant to this Agreement.
- 8.2. The escrow agreement shall provide *inter alia* that the Escrow Agent shall cause the funds deposited in the Escrow Account to be invested in short-term instruments backed by the full faith and credit of the U.S. Government or fully insured in writing by the U.S. Government, invested substantially in such instruments, and shall reinvest any income from these instruments and the proceeds of these instruments as they mature in similar instruments at their then-current market rates. Within forty-five (45) days of the expected distribution of Settlement Payments, such amount as may be necessary to pay Approved Claims may be moved into Treasury money market funds rated Aaa and AAA, respectively by Moody's Investor Services and Standard and Poor's. The Parties shall bear no risk related to the management and investment of the Settlement Fund or Escrow Account. Defendants shall not be required to deposit additional funds as a result of investment or other losses to the Escrow Account.
- 8.3. All funds held in the Escrow Account shall be deemed and considered to be a common fund in *custodia legis* of the Court and shall remain subject to the jurisdiction of the Court, until such time as such funds shall be distributed pursuant to the terms of this Agreement and/or order(s) of the Court.

- 8.4. Lead Plaintiffs and Defendants agree to treat the Escrow Account as being at all times a “qualified settlement fund” within the meaning of Treas. Reg. § 1.468B-1. In addition, the Section 468B Administrator and, as required, the Parties, shall timely make such elections and filings as necessary or advisable to carry out the provisions of this ¶8. Such elections shall be made in accordance with the procedures and requirements contained in the regulations promulgated under Internal Revenue Code Section 468B. It shall be the responsibility of the Section 468B Administrator to timely and properly prepare and deliver the necessary documentation for signature by all necessary parties, and thereafter to cause the appropriate filing to occur. All provisions of this Agreement shall be interpreted in a manner that is consistent with the Escrow Account being a “qualified settlement fund” within the meaning of Treasury Regulation § 1.468B-1.
- 8.5. The Section 468B Administrator shall timely and properly file all information and other Tax returns necessary or advisable with respect to the Escrow Account (including without limitation the returns described in Treas. Reg. § 1.468B-2(k), (1)). Such returns shall be consistent with paragraph 8.4, above, and in all events shall reflect that all Taxes shall be paid out of the Escrow Account as provided in paragraph 8.4 above.
- 8.6. The Escrow Account is intended to be a separate taxpaying entity for purposes of federal and state tax law. All Taxes and Tax Expenses arising from the operation and income of the Escrow Account shall be paid out of the Escrow Account and no reversion may occur pursuant to ¶3.6.B above or otherwise until all such Taxes and Tax Expenses have been paid or reserved for payment.

- 8.7. Unless otherwise set forth in this Agreement, the Section 468B Administrator shall be solely responsible for directing the filing of all informational and other Tax returns necessary to report any income earned by the Escrow Account.
- 8.8. Neither Defendants nor any other Released Defendant Parties nor their respective counsel shall have any liability or responsibility for the Taxes or the Tax Expenses. Defendants and Released Defendant Parties shall have no responsibility to make any filings relating to the Settlement Fund and will have no responsibility to pay tax on any income earned by the Settlement Fund or to pay any taxes on the Settlement Fund. Further, Taxes and Tax Expenses shall be treated as, and considered to be, a cost of administration of the Escrow Account and shall be timely paid or reimbursed out of the Escrow Account without prior order from the Court. The Escrow Agent shall be obligated (notwithstanding anything herein to the contrary) to withhold from distribution to any claimants authorized by the Court any funds necessary to pay such amounts including the establishment of adequate reserves for any Taxes and Tax Expenses (as well as any amounts that may be required to be withheld under Treas. Reg. § 1.468B-2(1)(2)). Lead Plaintiffs, Lead Plaintiffs' Class Counsel, and Defendants and their counsel agree to cooperate with the Section 468B Administrator, the Escrow Agent, each other, and their attorneys and accountants to the extent reasonably necessary to carry out the provisions of this section.
9. **Special Master.** As part of the Settlement, the Parties will move the Court for the appointment of the Special Master(s) to determine:
- A. Competing claims with respect to an Eligible Property;
 - B. The Estimated Market Value of Presumptive Eligible Properties subjected to Additional Review;

- C. Whether and to what extent Claims may be approved where one or more Requests for Exclusion also have been filed with respect to the same Eligible Property;
- D. Review of rejected Claims and the request of the Claimant, and
- E. Such other matters as the Court or the Parties may determine.

10. **Releases.**

10.1. Upon the Effective Date, each Settlement Class Member including each Lead Plaintiff, for themselves and on behalf of each of their respective spouses, heirs, executors, beneficiaries, administrators, successors, assigns, subsidiaries, affiliates and any other Person claiming (now or in the future) through or on behalf of any of them directly or indirectly, shall have released, waived, and discharged each and all of the Released Claims against the Released Defendant Parties without regard to whether the Settlement Class Member or Plaintiff ever makes, asserts or seeks to assert a Claim, provided no Settlement Class Member with an Approved Claim shall release any Person except upon payment of same.

10.2. Upon the Effective Date, each Settlement Class Member including each Plaintiff shall have covenanted not to sue the Released Defendant Parties with respect to any of the Released Claims.

10.3. Upon the Effective Date, each Plaintiff and Settlement Class Member (including, without limitation, spouses, heirs, beneficiaries, administrators, successors, subsidiaries, affiliates and assigns) shall be permanently barred, enjoined, and restrained from commencing, asserting, maintaining, prosecuting, or otherwise pursuing, either directly or indirectly, any of the Released Claims against the Released Defendant Parties in the Litigation or in

any other action or any proceeding, in any state court, federal court, arbitration, administrative forum, or other forum of any kind.

10.4. Upon the Effective Date, the Released Defendant Parties shall have released, waived, and discharged each and all of the Released Claims against the Lead Plaintiffs, their counsel and all Settlement Class Members.

10.5. Each Plaintiff and Settlement Class Member who receives compensation pursuant to this Agreement shall be barred from making application to repurchase an Eligible Property pursuant to Minn. Stat. § 282.241.

11. **Attorneys' Fee and Expense Award.**

11.1. Lead Plaintiffs' Class Counsel shall request Court approval of the attorneys' Fee and Expense Award in an amount calculated as follows:

- A. An initial payment of 15% of the \$109 million Settlement Fund, plus any interest earned thereon while such amount was in the Escrow Account, to be paid within three (3) business days following the Effective Date; plus
- B. An additional amount calculated as 8% of all Approved Claims, plus any interest earned thereon while such amount was in the Escrow Account, to be paid on the Distribution Date. If any Approved Claims are paid after the Distribution Date, the Claims Administrator shall calculate and distribute to Lead Plaintiffs' Class Counsel the additional 8% Fee and Expense Award attributable to such later Approved Claims.

11.2. To the extent funds are available in the Net Settlement Fund, the additional 8% Fee and Expense Award shall be paid therefrom and shall not reduce the Settlement Payments to Approved Claimants. If the aggregate amount of Approved Claims exceeds the Net

Settlement Fund before payment of the additional 8% Fee and Expense Award, the Settlement Payments will be reduced *pro rata* by the Claims Administrator.

11.3. The Released Defendant Parties believe the Fee and Expense Award as provided herein is fair and reasonable and accordingly take no position with respect to Lead Class Plaintiff Counsels' motion for the Fee and Expense Award.

11.4. The Fee and Expense Award shall be allocated among Plaintiffs' Class Counsel, and also including Pacific Legal Foundation, by Lead Plaintiffs' Class Counsel in their discretion, such allocation to reflect Lead Plaintiffs' Class Counsel's good faith evaluation of the contributions each firm or attorney made to the initiation, prosecution and resolution of the Litigation. Such allocation is subject to approval by the Court only in the event any Plaintiffs' Class Counsel or the Pacific Legal Foundation appeal to the Court the allocation made by Lead Plaintiffs' Class Counsel. Plaintiffs' Class Counsel submit to the jurisdiction of the Court for purposes of the Fee and Expense Award and any allocation thereof.

12. **Service Awards.**

12.1. Lead Plaintiffs will request Court approval to pay Service Awards from the Settlement Fund to the Lead Plaintiffs for their service to the Settlement Class in an amount not to exceed \$50,000 in the aggregate, plus any interest earned thereon while in the Escrow Account, together with their respective Settlement Payments, all to be paid within three (3) business days following the Effective Date.

12.2. Any such Service Award shall be allocated among the Lead Plaintiffs by Lead Plaintiffs' Class Counsel in their discretion, subject to approval by the Court.

12.3. The Released Defendant Parties believe the Service Awards as provided herein are fair and reasonable and accordingly take no position with respect to the approval of the Service Awards by the Court in an aggregate amount not to exceed \$50,000, plus any interest earned thereon while in the Escrow Account.

13. **Effective Date.** The Settlement shall be effective only when all of the following have occurred:

- A. the Court has entered the Preliminary Approval Order;
- B. the Court has entered Final Judgment; and
- C. the Final Judgment has either 1) become final, meaning that the time for appeal or appellate review of the Final Judgment (and any interlocutory orders merged into the Final Judgment) has expired or, if there has been an appeal, (a) that the appeal has been concluded without causing a material change in the Final Judgment, and (b) the Final Judgment is no longer subject to appellate review by further appeal or petition for writ of certiorari; or 2) the Lead Plaintiffs' Counsel and Defendants' Lead Counsel agree that the Settlement Payment should be distributed despite a lingering appeal and the Court approves the distribution.

14. **Termination.**

14.1. **Court Does Not Approve.** If the Court (a) enters an order expressly declining to enter the Preliminary Approval Order in any material respect; (b) declines to certify the Settlement Class; (c) refuses to approve this Settlement or any material part of it; (d) declines to enter a judgment substantially in the form of the Final Judgment that conforms in all respects to the material provisions of this Settlement; or (e) enters the Final Judgment, but after appellate review, the Final Judgment is vacated or modified or reversed in any material respect, and further appellate review has either been denied or the time for seeking further

appeal has expired, then the Parties each shall have the right to terminate their participation in the Settlement within thirty days of the receipt of such ruling by providing written notice to the other Parties of an election to terminate. Any court decision with respect to (a) the Fee and Expense Award; (b) the Service Awards; or (c) the Plan of Allocation shall not be considered material to the finality of the Settlement and shall not be grounds for termination.

14.2. Court-Required Changes to the Settlement Agreement. The preceding paragraphs notwithstanding, if the Court conditions its preliminary or final approval of this Settlement on certain changes to the Settlement, the Parties shall consider in good faith such changes and consent to such changes if they do not substantively alter the obligation of the Party. A change shall not be deemed to substantively change the obligation of a Party if (a) it merely alters the wording or appearance of any notice or order, (b) if it reasonably modifies the timing of any contemplated event, or (c) if it affects only how the Settlement Fund is allocated among Approved Claims without modifying the Settlement Amount.

14.3. Effect of Termination. In the event the Settlement is terminated in whole, or as to any Lead Plaintiff or Defendant:

- A. The Parties affected by the termination of the Settlement shall be deemed to have reverted to their respective status in this Litigation as of the date of the filing of the Motion for Preliminary Approval, with all of their respective claims and defenses preserved as they existed on that date;
- B. As to the terminating parties, except as otherwise expressly provided in this Settlement, the terms of this Settlement shall be null and void and shall have no

further force or effect, and neither the existence nor the terms of this Settlement nor any acts performed pursuant to, or in furtherance of, this Settlement shall be used in this Litigation or in any other proceeding for any purpose;

- C. Any judgment or order entered by the Court in accordance with the terms of this Settlement shall be treated as vacated *nunc pro tunc* as to the terminating parties; and
- D. Any Notice and Administration Costs, Taxes or Tax Expenses paid out of the Escrow Account shall not be reimbursed to any Defendant under any circumstance.

15. **Miscellaneous Provisions.**

15.1. No Concessions. No Party admits or concedes liability for any claim raised in this Litigation.

15.2. Data from Settling Counties.

- A. The Participating Counties shall expeditiously provide information reasonably requested by Lead Plaintiffs' Class Counsel to identify Eligible Properties, the Property Tax Obligation of each Eligible Property, and all components necessary to calculate Surplus Value and Settlement Payments. Defendants may provide to Lead Plaintiffs' Class Counsel any public data that can be used to locate Potential Claimants, such as the names of record owners and taxpayers of Eligible Properties.
- B. Defendants' Lead Counsel has requested or will forthwith request the following attestation from each Participating County: "I have made a good faith search to identify all forfeited properties within the relevant Class Period within my county and the data I am providing is accurate and complete to the best of my knowledge." To ensure that the Settlement as negotiated was based on reasonably complete information, in the event any Participating County fails to submit both their

spreadsheet data and such attestation by August 1, 2024, the Parties shall promptly meet and confer regarding what action if any is appropriate, including whether such County(ies) shall be considered a Non-Participating County and excluded from the Released Defendant Parties, provided that in no event shall there be any reduction or increase in the \$109M Settlement Amount, the Notice and Administrative Costs, the Service Awards or the Fee and Expense Award, nor shall any person be excluded from the claim process by reason of a County's failure to provide spreadsheet data and attestation. Any dispute with respect to a County's failure to provide the information required by this section shall be decided by the Court.

15.3. Final Resolution. The Parties intend this Settlement to be a final and complete resolution of all Parties' Released Claims. Except as otherwise provided in this Settlement, each Party shall bear its own costs.

15.4. Modifications. This Agreement may not be modified or amended, nor may any of its provisions be waived, except by a writing signed by or on behalf of the State and the Lead Plaintiffs or as ordered by the Court. The waiver by any Party of any breach of this Settlement by any other Party shall not be deemed a waiver of that breach by any other Party, nor shall it be deemed a waiver of any other breach of this Settlement by that Party or any other Party.

15.5. Reasonable Extensions of Time. Without further order of the Court, the Parties may agree to reasonable extensions of time to carry out any of the provisions of this Agreement.

15.6. Headings. The paragraph headings in this Settlement are used for the purpose of convenience only and are not meant to have any legal effect upon the construction or interpretation of any part of this Settlement.

15.7. Continuing Authority of Court to Implement Terms of Settlement. The administration and consummation of this Settlement shall be under the continuing authority of the Court, and the Court shall retain jurisdiction for the purpose of implementing and enforcing the Settlement including, without limitation, the Plaintiffs' releases and resolving, if necessary, any dispute as to the allocation of the Fee and Expense Award or Service Awards.

15.8. Submission to Jurisdiction of the Court. The Parties, Released Defendant Parties and Settlement Class Members submit to the jurisdiction of the Court for purposes of implementing and enforcing the Settlement.

15.9. Entire Agreement. This Agreement constitute the entire agreement among the Parties concerning this Settlement. No representations, warranties, or inducements have been made by or to any Party concerning this Settlement other than those contained and memorialized in the Agreement. This Settlement supersedes any and all earlier statements, representations, promises or other agreements, written or oral, with respect to the subject matter of this Agreement.

15.10. Change in Circumstances. It is understood by the Parties that, except for the matters expressly represented herein, the facts or law with respect to which this Settlement is entered into may turn out to be other than or different from the facts and law now known to each Party or believed by such Party to be true. Accordingly, each Party assumes the risk of the facts or law turning out to be different, and agrees that this Settlement shall be in all respects effective and not subject to termination by reason of any such different facts or law except as otherwise expressly provided herein.

- 15.11. Severability. If any provision of this Agreement is held to be unenforceable for any reason, the unenforceability thereof shall not affect any other provisions of this Settlement except as provided in ¶14.1.
- 15.12. Counterpart Signatures. This Settlement may be executed in one or more original or electronic counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument. Counsel for each Party will maintain their own respective original signature pages. A complete set of executed counterparts shall be filed with the Court.
- 15.13. Governed by Laws of the State of Minnesota. This Settlement shall be governed by the laws of the State of Minnesota without regard to conflicts of laws except to the extent that federal law requires that federal law govern.
- 15.14. Construction. This Settlement shall not be construed more strictly against any Party than another merely by virtue of the fact that the Settlement, or any part of it, may have been prepared by counsel for the Party.
- 15.15. Warranties of Authority. All counsel and any other person executing this Settlement and any exhibits attached to this Settlement warrant and represent that they have the full authority to do so and that they have the authority to take the appropriate action required or permitted to be taken pursuant to the Settlement to effectuate its terms.
- 15.16. Cooperation. The Parties agree to cooperate fully in seeking Court approval of the Preliminary Approval Order and the Settlement, to use reasonable efforts to promptly agree upon and execute all such other documentation as may be reasonably required to obtain final approval by the Court of the Settlement, and to implement the terms of this Agreement.

15.17. Dispute Resolution. If a dispute arises out of or relates to this Agreement, the Parties agree first to try in good faith to resolve the dispute by informal negotiation. If the Parties cannot resolve the dispute through informal negotiation, the Parties further agree that they will seek to resolve the dispute through mediation with the Honorable James Rosenbaum, Chief Judge, United States District Court for the District of Minnesota (retired) through JAMS Mediation Services. If Judge Rosenbaum is unavailable, the Parties agree to work in good faith to identify another mediator to resolve the dispute. If the Parties cannot resolve a dispute through mediation, then a Party may seek relief from the Court. Conflict Between Legislative Appropriation and the Agreement. In the event of a conflict between a provision in this Agreement and the Legislative Appropriation, the provisions of the Legislative Appropriation shall control.

15.18. Notices. If any Party is required to give notice to other Parties under this Settlement, such notice shall be in writing and shall be deemed to be duly given upon receipt by hand delivery or electronic mail. Notice shall be provided to counsel indicated on the signature blocks below.

The Lead Plaintiffs and the Defendants have caused this Settlement to be executed by their duly authorized representatives.

HF 5246: Tyler/Sporleder/DeMars Settlement

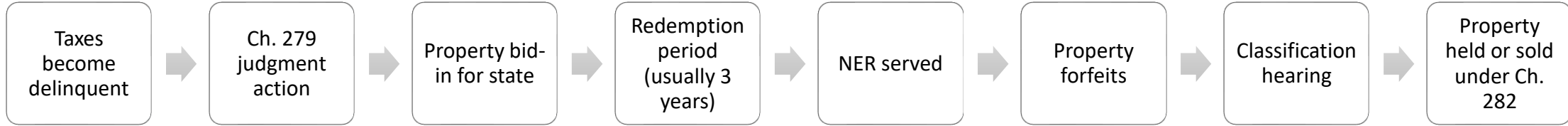
- Appropriates \$109M from state general fund for statewide settlement negotiated in these cases
- Counties are “in” unless they opt out in writing by August 1
- Counties who choose not to participate retain all risk of liability for claims related to properties forfeited before January 1, 2024
- Participating counties must provide public property tax data necessary to effectuate settlement
- Participating counties must sell existing forfeited land inventory to contribute to cost of settlement

Special inventory sale

- What needs to be sold?
 - Property that forfeited in settlement lookback period that is still in inventory
 - Not conservation land
 - Not property that is part of a rehabilitation program
 - Not those already sold pursuant to Chapter 282
- What are the sale terms?
 - Property may be offered for sale in person, online, or through broker
 - “Adjacent owner” sale may be held if applicable
 - Minimum price is appraised value
 - Cash only (no contract for deed)
- What to do with the sale proceeds?
 - If property sells before June 30, 2027: remit 75 percent to MMB
 - If property sells before June 30, 2029: remit 85 percent to MMB
 - County may spend remainder “on any permissible purpose”
- Annual report to MMB on sales/sale efforts

HF 5247 OVERVIEW

OLD system: title transfers automatically and county decides what to do with property



NEW system: two additional sales to generate cash surplus to return to interested parties

