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STATE OF MINNESOTA
IN COURT OF APPEALS
A20-0032

Gerring Properties Inc., et al.,
Appellants,

vs.

Martin Gerring, et al.,
Respondents.

Filed December 21, 2020
Affirmed
Florey, Judge

Hennepin County District Court
File No. 27-CV-16-12570

Jason Steck, Edina, Minnesota (for appellants)

Dustan J. Cross, Mark S. Ullery, Gislason & Hunter, LLP, New Ulm, Minnesota (for respondents)

Considered and decided by Florey, Presiding Judge; Hooten, Judge; and Gaïtas, Judge.

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

FLOREY, Judge

This is an appeal from judgment following a bench trial of the parties' cross-claims arising out of internal disputes as shareholders of a closely held corporation. Appellants assert that the district court erred in (1) finding that respondents had been oppressed as shareholders; (2) ordering dissolution without sufficient findings; (3) misvaluing respondents' shares; (4) ordering an all-cash buy-out within 60 days; (5) awarding attorney fees based on bad faith and vexatious conduct; and (6) overvaluing the fee-award amount. We affirm.

FACTS

Appellants Gerring Properties, Inc. (GP) and Quality Car Wash Operations, Ltd. (QCW) (collectively the Companies or appellants) are Minnesota Chapter 302A corporations. QCW operates a family owned car-wash facility in Wayzata, Minnesota, leasing the land, building, and equipment from GP. The Gerring brothers and some of their children, who for many years owned and managed both corporations, now "accuse each other of various improprieties spanning decades." Respondents include one of the brothers, Martin Gerring, and his wife, Lori-Ann Gerring.

The Companies have always been family owned and operated. From the early 1980's until approximately 1999, the Gerring brothers—Martin, Steven, and David—operated the car wash together. When David later left the family business to operate a separate car wash, Steven and Martin acquired David's ownership interests. David eventually returned to the family's car wash. Since 2013, the three members of the board of directors for both GP and QCW have been the three Gerring brothers.

The ownership shares in GP are currently divided equally between two shareholder factions: (1) respondents Martin Gerring and Lori-Ann Gerring, and (2) Steven Gerring's three adult children, including Steven (Stevie) and Matthew. The ownership shares in QCW are similarly divided between Martin on one hand, and Stevie and Matthew on the other. Steven, who does not hold ownership in either company, is the president of GP and QCW. Steven and his son Stevie are the officers of both GP and QWC.

Although the Companies have articles of incorporation and by-laws, the formal processes outlined in the corporate documents have not been regularly followed. Issues regarding management, direction, and operation of the businesses were often discussed among the three brothers, and later Stevie, without formal board meetings. This history of lack of compliance with formal corporate requirements and recordkeeping has created tension between the family factions.

Tensions grew from a transaction involving respondents' financial support of the Gerring brothers' mother, Virginia Gerring, as part of a reverse mortgage. In exchange for the mortgage, Virginia transferred her 20 shares in GP equally to Lori-Ann and Steven's daughter. This transfer was memorialized in writing and signed by Virginia, Martin, Lori-Ann, Steven, Stevie, and Matthew. Virginia's transfer of 10 shares to Lori-Ann had the effect of making the family factions hold equal shares of GP: Martin and Lori-Ann held 30 shares, and Stevie, Matthew, and Steven's daughter held 30 shares.

The Gerring family factions also disagreed as to the best way to manage and finance the Companies. David, Steven, and Stevie were interested in leveraging the Companies to obtain loans as a means of obtaining capital. Martin and Lori-Ann were resistant to this idea, preferring to finance improvements from income rather than taking on debt. Over

Martin's objection, the Companies obtained a significant loan from Highland Bank (the Highland loan).[1]

In September 2016, Martin and Lori-Ann were terminated as employees of QCW. Appellants asserted that Martin engaged in misconduct by failing to comply with orders from the board of directors by (1) collecting employee tips in spite of a directive that Steven alone could collect tips and by (2) failing to timely transfer a life-insurance policy issued in favor of GP on Martin's life and funded through company assets.

A bench trial was held on appellants' claims for money damages based on respondents' alleged breach of fiduciary duties and respondents' counterclaims for equitable relief based on shareholder oppression, breach of duties, and shareholder deadlock. The district court found that, based on Martin's history with the company as an employee and longstanding shareholder, he had a reasonable expectation of continued employment, income, and access to the Companies' financial records. While he continued to receive a dividend for a payment of tax obligations from his interests, this payment was not comparable to the compensation he had received through his salary, which was his primary form of compensation.

The district court also determined that Martin engaged in conduct that directly violated two directives from the board of directors by collecting employee tips and by failing to timely return a life-insurance policy. Although the court found that this conduct

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[1] While the district court found in a pretrial order that obtaining the loan fell within the reasonable business discretion of the Companies, it also ordered that the Companies provide Martin and Lori-Ann the financial records regarding the use of the loan funds. Those financial records were never produced.

supported some cause for Martin's termination, it also found that appellants' motive for this employment decision was improper. In particular, the court found that the primary motivation for Martin's termination was to force Lori-Ann to transfer her ownership shares back to Virginia in order to make it easier for the other corporate officers to run the business without Martin's opposition. In making this determination, the district court relied on the following evidence: (1) a list of demands which had been earlier presented to Martin and notes prepared by Steven, both of which refer to the "return" of the ownership shares; (2) Steven specifically raising the stock-transfer issue at the meeting terminating Martin's employment; and (3) David referring to the return of the ownership shares on two occasions while testifying at trial. While appellants argued that David's testimony was "a slip of the tongue," the district court found that this testimony further reflected that, in David's mind, the termination of Martin and failure to later reinstate him was related to the ownership-share issue. The district court concluded that "it [was] unfair and prejudicial to Martin's expectations as an employee/shareholder that his employment would be terminated for purposes including forcing his wife to transfer shares in GP and to quell his objections and input on business decisions."

Because both parties admitted a shareholder deadlock, the district court determined that a buy-out of respondents' shares by appellants would be the most appropriate remedy and provide respondents with value for their ownership interests. The district court's order provided that if a buy-out of respondents' shares was not achieved, then the district court would order dissolution and sale of the Companies.

With the consent of both parties, the district court appointed a special master to provide a valuation of the Companies and assist in the buy-out process. Because the parties were unable to agree on the value of the shares, they agreed on an independent neutral appraisal. The special master and the independent appraiser were provided with voluminous information submitted by both parties; conducted interviews of several Gerring family members; and viewed the car-wash property. The appraiser thereafter issued his valuation reports, concluding that the fair-market values as of August 22, 2016 (the valuation date set by the court) were $1,150,000 for QCW and $1,696,899 for GP.

In his report, the special master adopted the independent appraiser's valuations, finding them "well-reasoned, based on common valuation methodologies and custom and practice, and persuasive." The special master recommended that appellants pay respondents the full value of their 50% ownership interests, plus interest in cash, no later than 60 days after the entry of the court's order. The special master explained that this was a reasonable timeframe and that allowing appellants to pay respondents in an incremental fashion would place respondents at "significant risk for not achieving full value for their shares and would be unfair and inequitable."

The special master disagreed with the appellants' contention that the district court should apply a marketability discount to the buy-out price. In his report, the special master quoted the following language from *Advanced Commc'ns Design, Inc. v. Follett*, 615 N.W.2d 285, 292 in support of his conclusion: "Generally, 'absent extraordinary circumstances, fair value in a court-ordered buy-out pursuant to 302A.751 means a pro rata share of the value of the corporation as a going concern without discount for lack of marketability.'" He also disagreed with respondents' contention that the independent appraiser should not have relied on the Nagel Appraisal in valuing GP.[2]

Respondents moved the district court to adopt the special master's conclusions and recommendations. Appellants filed objections to the special master report and requested an evidentiary hearing, which the district court granted. Appellants specifically argued, and continue to argue on appeal, that the independent appraiser had "double counted" the value of QCW, submitting an affidavit from a certified public accountant in support of that contention.[3]

Following the evidentiary hearing, the district court adopted the special master's valuation conclusions, including his conclusion that the QCW was not double counted. The district court also adopted the special master's opinion that 60 days from the court's order was reasonable time for appellants to pay respondents for the fair value of their ownership interest in cash, plus 10% interest, the statutory interest rate. If appellants failed to make the stated payment, the district court ordered that the Companies would be dissolved, and the assets would be sold at the highest value.

The district court permitted respondents to request reimbursement of a portion of their attorney fees. After reviewing respondents' itemized attorney fees and the parties'

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[2] The "Nagel Appraisal" refers to an appraisal of the GP real estate performed by Nagel Appraisal Inc. in April 2017. The independent appraiser relied on this appraisal when making his valuation of GP, which the special master stated is "a common and reasonable practice for appraisers to rely on prior, contemporaneous appraisals in conducting a valuation."

[3] We observe that at the evidentiary hearing, the accountant acknowledged that he did not have valuation credentials.

related submissions, the district court found that the respondents' use of two attorneys throughout the buy-out process resulted in excessive fees for work that could have been done by one attorney. Because it would be unfair to shift this excessive cost to appellants, the district court concluded that an overall 30% reduction in respondents' requested attorney fees was appropriate.

On appeal, appellants contend that the district court erred in finding shareholder oppression, determining buy-out terms, ordering dissolution, valuing shares held by respondents, and awarding attorney fees to respondents.

D E C I S I O N

I. The district court did not abuse its discretion in finding unfairly prejudicial conduct warranting equitable relief under Minn. Stat. § 302A.751.

Appellants argue that the district court erred in finding unfairly prejudicial conduct by appellants against respondents. A district court "may grant any equitable relief it deems just and reasonable in the circumstances" if individuals in control of the corporation have acted "in a manner unfairly prejudicial" toward another member or shareholder. Minn. Stat. §302A.751, subd. 1(b)(3) (2018). Appellate courts generally review a district court's grant of equitable relief for abuse of discretion. *Melrose Gates, LLC v. Moua*, 875 N.W.2d 814, 819 (Minn. 2016). The circumstances meriting equitable relief under the statute include where "the directors or those in control of the corporation have acted in a manner unfairly prejudicial toward one or more shareholders in their capacities as shareholders or directors of a corporation that is not a publicly held corporation, or as officers or employees of a closely held corporation." *Id*. The term "unfairly prejudicial" should be liberally construed. *U.S. Bank N.A. v. Cold Spring Granite Co.*, 802 N.W.2d 363, 377-79 (Minn. 2011). Unfairly prejudicial conduct includes conduct which "frustrates the reasonable expectations" of the shareholder. *Id.* at 377.

The reasonable expectations of closely held corporation shareholders include "a job, salary, a significant place in management, and economic security for [the shareholder's] family." *Pedro v. Pedro*, 489 N.W.2d 798, 802 (Minn. App. 1992)*; see also Gunderson v. All. of Comput. Prof'l.*, 628 N.W.2d 173, 189 (Minn. App. 2001) (noting that "[t]ypical close-corporation shareholders commonly have an expectation of continuing employment with the corporation" and "because of the unique characteristics of close corporations, employment is often a vital component of a close-corporation shareholder's return on investment and a principal source of income").

In a closely held corporation, "[a]n expectation of continuing employment is reasonable . . . if continuing employment can be fairly characterized as part of the shareholder's investment." *Gunderson*, 628 N.W.2d at 191 (quotation omitted). "Expectation of continuing employment," however, "must also be balanced against the controlling shareholder's need for flexibility to run the business in a productive manner." *Id.* Thus, "an expectation of continuing employment is not reasonable and oppression liability does not arise when the shareholder-employee's own misconduct or incompetence causes the termination of employment." *Id.* at 192.

Here, the district court found that Martin, as a long-time employee of the Companies and long-standing shareholder, had "a reasonable expectation of continuing employment from the companies." It based this finding on the following facts: that Martin was both an employee of the business before it was incorporated and a long-time shareholder, that the shareholders of the Companies have "historically received disbursements from the profits from the operation of the companies," and that "income derived from employment and compensation of officers and the shareholders as employees was the primary financial benefit provided to shareholders."

Although the district court found that Martin's conduct supported some cause for his termination, it also found that appellants' motives in the terminations included improper considerations. In particular, the district court found that the primary motivations for Martin's termination were both to force transfer of Lori-Ann's 10 shares of stock back to Virginia (which would have resulted in respondents no longer holding a 50% ownership interest) and to make it easier for the directors and officers of appellants to run the business without opposition from Martin. The district court also considered that Martin had not received any monetary benefit from his ownership interest in the Companies since his termination. After weighing the circumstances and equities, the district court concluded that "the mixed motivations supports a finding that the termination violated [Martin's] reasonable expectations as an employee in violation of Minn. Stat. § 302A.751."

Because the district court made detailed findings of fact and conclusions of law regarding the circumstances of Martin's termination that are supported by the record, including Martin's own failure to comply with board directives and why his termination constituted unfairly prejudicial conduct, the district court did not abuse its discretion in finding unfairly prejudicial conduct. The district court also did not err in determining unfairly prejudicial conduct based on Martin's termination. Martin was not required to plead wrongful termination in order to bring a claim for equitable relief for wrongful termination. *See Gunderson*, 628 N.W.2d at 190.

Moreover, even if the district court did not find a basis for equitable relief based on the above findings, it also found, and appellants do not challenge, the existence of a shareholder deadlock, which is an entirely separate and permissible basis for awarding equitable relief under Minn. Stat. § 302A.751, subd. 1(b)(4) (2018). Furthermore, the parties agreed that, due to the deadlock, they needed the district court to exercise its equitable powers to sever their relationship pursuant to Minn. Stat. § 302A.751.

We also conclude that the district court properly exercised its discretion in considering instances of prejudicial conduct relevant to the equities between the parties and not as derivative claims previously dismissed. The district court did not abuse its discretion in considering appellants' failure to provide financial documents in making its equitable determination of whether unfairly prejudicial conduct occurred because the court had previously ordered that appellants provide specific financial documents to respondents and appellants failed to do so. *See Cold Spring Granite*, 802 N.W.2d at 377-79 (stating the term "unfairly prejudicial" should be liberally construed). Finally, because the record reflects that heightened tension and financial disputes existed at the time respondents, as shareholders, were making these requests, we conclude that the district court properly exercised its discretion in determining that appellants' failure to hold shareholder meetings was in bad faith and vexatious.

II. The district court did not abuse its discretion by ordering a buy-out of respondents' shares.

A court-ordered statutory buy-out is an equitable remedy. Minn. Stat. § 302A.751, subd. 1 (describing relief as equitable), *Berreman v. W. Publ'g Co.*, 615 N.W.2d 362, 373 (Minn. App. 2000), *review denied* (Minn. Sept. 26, 2000) (same). A district court "may grant any equitable relief it [finds] just and reasonable in the circumstances" if individuals in control of the corporation or LLC have acted "in a manner unfairly prejudicial" toward another member or shareholder. Minn. Stat. § 302A.751, subd. 1(b)(3). The term "unfairly prejudicial" should be liberally construed. *Cold Spring Granite,* 802 N.W.2d at 377-79.

District courts have "broad equitable powers in fashioning relief" for the buy-out of shareholders in a closely held corporation. *Pedro*, 489 N.W.2d at 802. Minn. Stat. § 302A.751, subd. 2 provides:

> [T]he court may, upon motion of a corporation . . . order the sale by . . . a defendant of all shares of the corporation held by the . . . defendant to . . . the corporation . . . if the court determines in its discretion that an order would be fair and equitable to all parties under all of the circumstances of the case.

Under the statute, absent an agreement by the parties, the district court can set the payment terms. *Id.* In determining the equitable remedy:

> [T]he court shall take into consideration the duty which all shareholders in a closely held corporation owe one another to act in an honest, fair and reasonable manner in the operation of the corporation and the reasonable expectations of all shareholders as they exist at the inception and develop during the course of the shareholders' relationship with the corporation and with each other.

Id., subd. 3(a).

Appellants argue that the district court incorrectly applied the holdings of *Advanced Commc'n Design, Inc. v. Follett* to the facts of the case by requiring the buy-out to occur within 60 days, which they claim was objectively impossible, and by not applying a marketability discount to the purchase price of respondents' shares.

In *Follett*, the supreme court held that, absent extraordinary circumstances, "fair value" in a court-ordered buy-out pursuant to section 302A.751 "means a pro rata share of the value of the corporation as a going concern without discount for lack of marketability." 615 N.W.2d at 292. Noting that the overarching policy is "to ensure the buy-out is fair and equitable to all parties," Minn. State. § 302A.751, subd. 2, the supreme court indicated the factors that should be considered in determining whether extraordinary circumstances exist. *Id.* These factors include: (1) whether the buying or selling shareholder has acted in a manner that is unfairly oppressive to the other or has reduced the value of the corporation; (2) whether the oppressed shareholder has additional remedies such as those available pursuant to Minn. Stat. § 302A.467; or (3) whether any condition of the buy-out, including price, would be unfair to the remaining shareholders because it would be unduly burdensome on the corporation. *Id*. at 292-93.

In *Follett*, the district court accepted the appraised value of the company but rejected the appraisal report's recommendation for a marketability discount factor of 55%. *Id.* at 293. The reviewing appellate court determined the district court's rejection of the marketability discount was unfair to the remaining shareholder-appellants because it resulted in respondents' ownership interest being valued at a price more than five times the total net worth of the corporation as of the valuation date. *Id.* Accordingly, the supreme court remanded the case for a determination of the appropriate percentage marketability discount. *Id.*

Here, while appellants contend that extraordinary circumstances exist because the terms of the buy-out that the district court imposed were impossible for appellants to meet, neither the record nor the district court's finding support this contention. At the evidentiary hearing held in relation to respondents' motion for an order adopting the special master's report, the special master testified that he did not find the existence of extraordinary circumstances warranting the application of a marketability discount based on his own application of the facts to the *Follett* factors. The specific factors considered by the special master included: (1) the district court's determination that appellants acted unfairly towards respondents and (2) appellants' requested remedy of the option to purchase respondents' shares. The district court noted that the fact that appellants requested the option to purchase respondents' shares distinguishes the present case from *Follett*, where the remedy of a buy-out option was forced upon the other party. In his report, the special master explained that he believed 60 days was a "reasonable time," and that "allowing [appellants] to pay [respondents] in any incremental fashion, regardless of the interest rate applied, would place [respondents] at significant risk for not achieving full value for their shares and would be unfair and inequitable to [respondents]."

Overall, because the special master's report was based on his extensive investigation into the parties' situation and businesses, and because the special master included the details of his process in reaching his conclusions in the report, it was reasonable for the district court to adopt his recommendations. Further, the district court did not find extraordinary circumstances in its own analysis of the *Follett* factors. Accordingly, the district court did not abuse its discretion in not applying a marketability discount to the purchase price of respondents' shares or in requiring the buy-out be completed within 60 days.

III The district court did not abuse its discretion in ordering dissolution of the Companies.

Appellants also argue that the district court abused its discretion by ordering dissolution of the Companies in the absence of sufficient findings. Minn. Stat. § 302A.751, subd. 3b provides:

> In deciding whether to order dissolution, the court shall consider whether lesser relief suggested by one or more parties, such as any form of equitable relief, a buy-out, or a partial liquidation, would be adequate to permanently relieve the circumstances established under subdivision 1, clause (b) or (c). Lesser relief may be ordered in any case where it would be appropriate under all the facts and circumstances of the case.

The district court found that because appellants failed to exercise the option to purchase respondents' shares within the parameters ordered by the court, and because the record did not support that additional time would be reasonably likely to achieve the buy-out, dissolution was the only reasonable way for respondents to obtain value for their ownership interests. The court also considered lesser forms of equitable relief including buy-out of respondents' shares, buy-out of the other shareholders by respondents, a limited auction, alternative buy-out terms proposed by appellants, and liquidation. However, the district court found these options to be unfeasible, noting that appellants failed to exercise their buy-out option and presented no evidence that they would be presently able to exercise that option. Although some of the shareholders continued to receive benefit through their employment at the Companies, the court found that this benefit did not outweigh the impact of the shareholder deadlock and prejudicial conduct towards respondents. Because the district court did not find a reasonable alternative, it determined that dissolution was the only option that would both provide respondents value for their shares and compensate all shareholders for their ownership interests.

While appellants argue that the district court failed to comply with *In re Lakeland Dev. Corp.*, 152 N.W.2d 758 (Minn. 1967), the findings of that court on shareholder deadlock were different than the district court's findings in the present case. The issue in *Lakeland* was whether the district court erred in ordering the involuntary dissolution of a company when it did not make a finding of a permanently irreconcilable deadlock. *Id.* at 764. The lack of this specific finding was determined to be an error, and the case was remanded to the district court to make specific determinations into the "potential deadlock-breaking rights" claimed by one of the parties. *Id.* Unlike the court in *Lakeland*, the district court here made specific findings of irreconcilable shareholder deadlock and concluded that dissolution was the only reasonable option available to ensure respondents received value for their ownership interests in the Companies.

Because appellants failed to exercise the option to buy-out respondents' share, and because the district court considered but did not find any lesser, reasonable forms of equitable relief before ordering dissolution, the district court did not abuse its discretion.

IV. The district court did not abuse its discretion in its valuation of respondents' shares.

Appellants argue that the district court erred by adopting the special master's valuation of the Companies. Appellants cite the standard of review for valuation by the commissioner of revenue in a tax appeal. In that context, valuation is reviewed for clear error. *See Minn. Energy Res. Corp. v. Comm'r of Revenue*, 886 N.W.2d 786, 792 (Minn. 2016) ("With respect to the tax court's valuation of the property, we defer to the tax court's determination unless it clearly misvalued the property or failed to explain its reasoning."). However, here the issue is valuation of shares of a closely held business in a buy-out under Minn. Stat. § 302A.751, subd. 2. Under that subdivision, "[i]f the parties are unable to agree on fair value within 40 days of entry of the order, the court shall determine the fair value of the shares under the provisions of section 302A.473, subdivision 7."

The referenced subdivision provides, "[t]he court shall determine. . . the fair value of the shares, taking into account any and all factors the court finds relevant, computed by any method or combination of methods that the court, in its discretion, sees fit to use, whether or not used by the corporation or by a dissenter." Based on this statute, the supreme court has concluded that the proper standard of review for a district court's determination of valuation in a buy-out is abuse of discretion. *Advanced Commc'n Design*, 615 N.W.2d at 290 ("If the court determines that ordering a buy-out is fair and equitable to all parties under the circumstances, it also has broad discretion both in the process and the ultimate determination of the 'fair value' of the shares to be sold."). As stated previously by this court, "the district court has broad discretion and authority to determine the fair value of the shares in whatever way it deems appropriate." *Peoplenet Commc'ns Corp. v. Baillon Ventures*, 781 N.W.2d 584, 586 (Minn. App. 2010).

Appellants object to the valuation findings and recommendations of the special master. Specifically, appellants argue that the valuation analysis performed by the independent appraiser "double-counted" the going-concern valuation of QCW. However, the district court adopted the special master's report, which thoroughly analyzed the approach taken by the appraiser, and after making two calculation corrections, concluded that the appraiser's valuations were "well-reasoned, based on common valuation methodologies and custom and practice, and persuasive." The appraiser testified that he did not double count the value of QCW and explained the approach he took in his valuation. The special master also testified that he continued to believe that the appraiser's valuations were sound and reflected thoughtful application of accepted standards for business valuations.

After hearing arguments and reviewing the parties' submissions, the district court adopted the special master's report, which explained in detail both the process and information upon which he relied. Based on the extensive record regarding the special master's reasoning and analysis in composing his report, and further explained and validated by his testimony, the district court did not abuse its discretion in adopting the valuation of the Companies from the special master's report. *See Peoplenet*, 781 N.W.2d at 586.

V. The district court did not abuse its discretion by awarding attorney fees under Minn. Stat. § 302A.751.

A court, in its discretion, may award reasonable expenses, including attorney fees, if the court finds that a party to a proceeding brought under Minn. Stat. § 302A.751 "has acted arbitrarily, vexatiously, or otherwise not in good faith." Minn. Stat. § 302A.751, subd. 4 (2018). If the court has made findings of vexatious or bad-faith conduct, its award of fees will not be reversed absent an abuse of discretion. *Pedro*, 489 N.W.2d at 804.

Appellants contend that the district court made "fatal errors of law" in awarding attorney fees to respondents. However, the district court made specific findings that appellants acted arbitrarily, vexatiously, and in bad faith. That evidence relied on by the court included appellants' "conduct during litigation, including their failure to hold annual shareholder meetings, failure to comply with the Court's Order requiring provision of financial records, and [their] use of Highland Bank loan proceeds evidence[d] bad faith and vexatious conduct that unfairly imposed additional financial burdens" on respondents. In addition, the district court concluded that appellants' pursuit of claims against respondents seeking monetary damages against Martin for theft of tips and for excessive compensation were pursued "with minimal, if any, factual support." Thus, the court concluded these claims were "pursued vexatiously and in bad faith."

Because the district court found several instances of bad faith and vexatious conduct by appellants, and because those findings and conclusions are supported by the record, the court had discretion to award attorney fees. *See Becker v. Alloy Hardfacing & Eng'g Co.*, 401 N.W.2d 655, 661 (Minn. 1987). The district court did not abuse its discretion in awarding attorney fees to respondents.

VI. The district court did not abuse its discretion in determining the amount of attorney fees it awarded to respondents.

Appellants challenge the amount of the district court's attorney-fee award. We review the district court's award for an abuse of discretion. *Carlson v. SALA Architects, Inc.*, 732 N.W.2d 324, 331 (Minn. App. 2007), *review denied* (Minn. Aug. 21, 2007). Appellate courts also "generally review a district court's award of costs and disbursements for an abuse of discretion." *Dukowitz v. Hannon Sec. Servs.*, 841 N.W.2d 147, 155 (Minn. 2014). A district court abuses its discretion "when its decision is against logic and facts on the record." *Posey v. Fossen*, 707 N.W.2d 712, 714 (Minn. App. 2006). The party challenging the district court's exercise of discretion bears the burden of proof. *Id.*

Here the district court made detailed findings regarding respondents' request for an award of attorney fees. The court found respondents' attorney fees to be excessive where they had chosen to use two attorneys when one attorney could have performed the work. Consequently, the court found that shifting those additional costs to appellants would not be appropriate. Following its review of the individual entries on the respondents' itemized attorney fees invoices, the court concluded that "an overall 30% reduction in [respondents'] requested attorney fees" was appropriate "to ensure that the asserted amounts are reasonable and necessary and not excessive or duplicative." The district court further found that additional attorney fees to respondents related to the dissolution and sale of the Companies were not warranted under Minn. Stat. § 302A.751, subd. 4, because "the factual predicate for the award of attorney fees" under that statute was not "sufficiently connected to the dissolution and sale proceedings to warrant continued award of attorney fees" to respondents.

Because the district court made specific findings and conclusions after a thorough review of respondents' individual entries of their attorney fees, eliminated excessive fees, and awarded attorney fees based on that review and correction, there was no abuse of discretion in the amount of attorney fees awarded to respondents.

Affirmed.