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STATE OF MINNESOTA
IN COURT OF APPEALS
A22-0042

Dr. Eric Steffen,
Appellant,

vs.

Scott Uttley, et al.,
Respondents.

Filed August 29, 2022
Affirmed
Halbrooks, Judge*

Washington County District Court
File No. 82-CV-18-3401

Thomas H. Boyd, Joseph M. Windler, Christina Rieck Loukas, Winthrop & Weinstine, P.A., Minneapolis, Minnesota (for appellant)

Todd Wind, Pari I. McGarraugh, Fredrikson & Byron, P.A., Minneapolis, Minnesota (for respondents)

Considered and decided by Bjorkman, Presiding Judge; Bratvold, Judge; and Halbrooks, Judge.

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* Retired judge of the Minnesota Court of Appeals, serving by appointment pursuant to Minn. Const. art. VI, § 10.

NONPRECEDENTIAL OPINION

HALBROOKS, Judge

In this appeal from the judgment following a bench trial, appellant-shareholder asserts that the district court erred by (1) construing the parties' agreements to eliminate his post-termination distribution rights; (2) ordering him to pay $40,249 for excess compensation and insurance; (3) rejecting three of his four shareholder-oppression theories and ordering inadequate relief; (4) declaring respondents to be the prevailing parties; and (5) declining to award appellant attorney fees. We affirm.

FACTS

Appellant Eric Steffen, M.D., is an ophthalmologist who practiced with respondent St. Paul Eye Clinic, P.A. (SPEC) from December 2004 through August 5, 2018. Respondents are SPEC, St. Paul Opticians, Inc. (SPO), Eye Surgery Associates, Inc. (ESA), Northway Resource Development, LLC (Northway), and the following medical doctors who were all equal shareholders in SPEC, SPO, ESA and members of the companies' shared board of directors: Scott Uttley, Richard Stanek, Thomas Rice, Phil Sheridan, Susan Quick, James George, Todd Watanabe, Aaron Tsai, Dan Nichols, and Alla Kelly.[1]

[1] SPEC is a professional medical practice in the field of ophthalmology. SPO owns and operates optical stores at six of SPEC's locations. ESA is a 50% partner in the Midwest Surgery Center in Woodbury. Northway is a real estate holding company with an interest in a building in Woodbury. Appellant does not raise any claims specific to Northway.

Appellant became an equal shareholder in the SPEC Entities, effective January 1, 2008.[2] At the time of his buy-in, appellant signed Stock Sale and Redemption Agreements with SPEC, SPO, and ESA (collectively, the Agreements). In relevant part, the Agreements provide that a shareholder "shall be deemed to have made an offer to sell" his shares in the SPEC Entities upon the termination of the shareholder's employment. Each of the Agreements also sets forth the formulas used to calculate the "Specified Value" of the departing shareholder's shares. The Agreements all provide that the Specified Value is determined according to a book-value formula based on the particular company's "accrual based corporate balance sheet," with adjustments then made as provided for in the Agreements. Despite the requirement that the Specified Value be calculated using an accrual-based balance sheet, the SPEC Entities did not use the accrual-based accounting method for their day-to-day financial records. Rather, SPEC used a cash-based method while SPO and ESA used a modified accrual-based method.

Prior Shareholder-Physician Buyouts

During the time that appellant was a shareholder-physician with the SPEC Entities, four shareholders were bought out: Tim Allen, M.D.; Scott McKee, M.D.; Alan Weingarden, M.D.; and Honora Kennedy, M.D. The buy-out amounts for Drs. Allen, McKee, and Weingarden were all calculated using a cash-based balance sheet for SPEC and a modified accrual-based balance sheet for SPO and ESA. Thus, the balance sheets

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[2] Appellant paid $465,987 for his interests in SPEC and ESA. SPO was initially part of SPEC, but it became its own entity in 2013. Each SPEC shareholder, including appellant, became an equal shareholder in SPO. We refer to SPEC, SPO, and ESA collectively as the SPEC Entities.

were prepared based on the accounting method each entity used for its day-to-day financial records. Dr. Kennedy's shares in each entity were initially valued in the same fashion, but Dr. Kennedy then pointed out that the valuations should be calculated using accrual-based balance sheets and insisted that her shares be valued in strict accordance with the Agreements. The valuations calculated under the accrual-based method resulted in a total amount lower than the amount initially offered to Dr. Kennedy. Respondents agreed, in good faith, to reoffer the original amount to Dr. Kennedy. But she declined. Respondents eventually agreed to a total settlement payment to Dr. Kennedy of $1.3 million.

Prior to Dr. Kennedy's buy-out, the parties were not aware that for the three previous buyouts the balance sheets were prepared using two different accounting methods, and that neither method was the method called for under the Agreements. The issues were discussed at board meetings on June 20, 2017, and August 22, 2017. Appellant attended both meetings. He did not object to the use of the accrual-based balance sheets for Dr. Kennedy's valuations, nor did he state that he expected that future buyouts would be valued based on a cash-based balance sheet for SPEC and a modified accrual-based balance sheet for SPO and ESA.

Following the buy-out of Dr. Kennedy, but before appellant announced that he was leaving SPEC, respondents had further discussions concerning how to value future buyouts. The shareholders, including appellant, were advised to expect a significant decrease in the value of their shares if the SPEC Entities decided to apply the formulas in the Agreements. On February 20, 2018, the board met and decided to use the accrual-based method specified in the Agreements to value future buyouts, even though it resulted in a lower valuation than the cash-based and modified accrual-based methods. Appellant attended this meeting by phone and had electronic access to the meeting materials.

Appellant's Departure from SPEC

On April 11, 2018, appellant announced he was leaving SPEC, and his employment was formally terminated on August 5, 2018. Under the terms of the Agreements, appellant was deemed to offer his shares for sale upon the termination of his employment on August 5, 2018; the effective date for all three transactions was December 31, 2018. SPEC and SPO accepted appellant's offers to sell on August 29, 2018, and ESA accepted his offer on September 4, 2018. The accrual-based balance sheets necessary to calculate the Specified Value under the Agreements for appellant's buy-out were not available until the last week of June 2019.

On June 27, 2019, respondents sent appellant a letter, offering to purchase his shares at the Specified Value that was calculated using accrual-based balance sheets and set closing for the purchase for July 15, 2019. Appellant declined to accept the proposed amount, stating that he needed more time to review the calculations. Respondents advised appellant that the intent of the offer to close was to begin payment of the amount owed to appellant but confirmed that appellant would retain the right to challenge the purchase price. Nevertheless, appellant did not accept the offer and closing did not occur.

Lawsuit

On July 19, 2018, after appellant announced his departure but before his employment terminated, appellant sued respondents, seeking damages and other relief for harms caused by violations of his rights as a shareholder. He asserted four claims: (1) a direct claim for breach of fiduciary duty against Scott Uttley, Richard Stanek, Thomas Rice, James George, Phillip Sheridan, Aaron Tsai, Todd Wantanabe, Susan Quick, Dan Nichols, and Alla Kelly (the Director Respondents); (2) a direct claim for breach of fiduciary duty against David Rothschiller, Mark Sharockman, and Kristine Lindgren (the Executive Respondents); (3) a derivative claim for breach of fiduciary duty against the Director Respondents and the Executive Respondents; and (4) a claim for shareholder oppression against all respondents. Respondents filed a counterclaim against appellant with three counts: (1) breach of contract; (2) unjust enrichment; and (3) declaratory judgment as to appellant's ongoing rights to distribution and participation in the governance of the SPEC Entities. The parties filed cross-motions for summary judgment. Respondents sought summary judgment on all claims, but appellant sought summary judgment solely on the declaratory-judgment counterclaim.

The district court granted partial summary judgment on February 21, 2020. The district court dismissed appellant's derivative claim as well as portions of his breach-of-fiduciary duty and shareholder-oppression claims. With regards to respondents' counterclaim counts one and two, the district court determined that appellant owed respondents $40,249 in excess compensation and tail insurance.[3] And on counterclaim three, the district court determined that appellant's right to distributions from the SPEC Entities ended when his employment was terminated on August 5, 2018, and that

[3] Tail insurance is a form of malpractice insurance. SPEC obtained tail-insurance coverage for appellant at a cost of $8,079. The terms of appellant's employment agreement with SPEC required him to reimburse SPEC for the cost of coverage.

appellant's voting rights in the SPEC Entities would end upon closing of the sale of his shares, but that an earlier date may be appropriate if the parties unjustifiably refused to close on the sale of the shares.

After summary judgment, the following claims remained:

> Counts One and Two of the Complaint: Whether the Director [Respondents] and the Executive [Respondents] breached their fiduciary duties to [appellant] by delaying 2018 distribution payments to [appellant].
>
> Count Four of the Complaint: Whether there was shareholder oppression under Minn. Stat. §302A.751 by [respondents'] denying [appellant's] governance rights, giving inadequate meeting notice and accommodations, withholding [appellant's] distributions and frustrating [appellant's] reasonable expectations in valuing [appellant's] shares.
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> Count Three of the Counterclaim: Establishment of the end date of [appellant's] voting rights in the SPEC entities.

On February 26, 2020, respondents moved the district court to preemptively exclude any expert testimony on the fair value of appellant's interest in the SPEC Entities in the main trial. Appellant objected to the proposed trial bifurcation, arguing there should be a single trial to adjudicate respondents' "unfairly prejudicial conduct" and for appellant "to have his shares purchased for 'fair value.'" The district court bifurcated the issue of fair value of appellant's shares from the trial scheduled for June 29, 2020.

The case was tried to the district court in May 2021. The district court ruled against appellant on his breach-of-fiduciary-duty claims and three of his four shareholder-oppression theories. On the fourth shareholder-oppression theory, the district court found that appellant's reasonable expectations were frustrated with respect to his right to participate in the governance of the SPEC Entities. The district court ordered respondents to buy appellant's shares at the Specified Value to be calculated in accordance with the Agreements. Lastly, the district court determined that neither side was entitled to attorney fees and declared respondents the prevailing parties for the purpose of costs and disbursements. Appellant filed no posttrial motions, and the district court entered judgment on November 12, 2021.

This appeal follows.

DECISION

I. The district court did not err by interpreting the Agreements to end appellant's right to distributions on the date his employment terminated.

The district court determined on summary judgment that the Agreements unambiguously ended appellant's right to distributions on August 5, 2018, the date his employment with SPEC was terminated. We review de novo the district court's grant of summary judgment to determine "whether there are genuine issues of material fact and whether the district court erred in its application of the law." *Montemayor v. Sebright Prods., Inc.*, 898 N.W.2d 623, 628 (Minn. 2017) (quotation omitted).

Interpretation

The interpretation of a contract is a question of law subject to de novo review. *Valspar Refinish, Inc. v. Gaylord's, Inc.*, 764 N.W.2d 359, 364 (Minn. 2009). The goal of contract interpretation is to "ascertain and enforce the intent of the parties." *Id.* "[W]hen a contractual provision is clear and unambiguous, courts should not rewrite, modify, or limit its effect by a strained construction." *Id.* at 364-65. But if the contractual language is ambiguous, summary judgment is inappropriate. *Minn. Teamsters Pub. & Law Enf't Emps. Union, Local 320 v. County of St. Louis*, 726 N.W.2d 843, 847 (Minn. App. 2007), *rev. denied* (Minn. Apr. 25, 2007). We construe a contract "as a whole," "attempt to harmonize all [of its] clauses," and seek to avoid interpretations that "render a provision meaningless." *Chergosky v. Crosstown Bell, Inc.*, 463 N.W.2d 522, 525-26 (Minn. 1990).

Three contracts are at issue here: the SPEC Agreement, the ESA Agreement, and the SPO Agreement. Each agreement contains a provision addressing a departing shareholder's right to receive distributions during the buy-out process. The relevant provision of the SPEC Agreement provides:

> (i) Dividends. So long as Eye Clinic is not in default in the performance of any of the terms of this Agreement, or in the payment of the principal or interest due, no dividends shall be issued by Eye Clinic on the shares being purchased.

And the analogous provisions of the ESA and SPO Agreements provide:

> (i) Dividends. So long as purchaser is not in default in the performance of any of the terms of this agreement, or in the payment of the principal or interest due, purchaser, other than Company, shall have the right to any dividends issued by Company on the shares being purchased.

The difference in the provisions reflects the fact that SPEC shares may only be sold back to SPEC, while SPO and ESA shares may be sold to other shareholders and third parties.

Appellant's first argument focuses on the language used in the "Dividends" provisions of the ESA and SPO Agreements. He argues that these provisions apply only to the rights of the share purchaser, and thus, do not dictate his dividend rights as a share seller. He further argues that his right to dividends continues because the companies cannot receive their own respective dividends. We disagree.

Although the ESA and SPO Agreements are drafted from the perspective of the purchaser, they nonetheless establish what rights the seller must relinquish for the purchaser to acquire those rights. Because the purchaser acquires the right to any dividends on the shares being purchased, the seller cannot simultaneously retain those dividend rights. Thus, the purchaser's right to dividends displaces the seller's dividend rights. And when the companies exercise their options to buy back shares, as was the case here, the ESA and SPO Agreements specify that the "shares of stock shall be held as treasury stock until the full purchase price has been paid." Treasury stock does not receive dividends, but that does not mean that the seller is entitled to continuing dividends when the companies are the purchasers. Instead, it follows that these provisions end the selling shareholder's right to dividends as of the date he terminates his employment and is deemed to have offered his shares for sale. Therefore, the district court correctly interpreted the SPO and ESA Agreements to end appellant's right to dividends on August 5, 2018, so long as the companies were not in default.

Alternatively, appellant argues that his right to dividends could not have been displaced by the purchaser's rights because there was no purchaser until the SPEC Entities accepted his offers to sell. He therefore asserts that his distribution rights continued until the SPEC Entities accepted his offers to sell. But it was respondents who made this argument to the district court, while appellant maintained that he was entitled to receive dividends until closing on the repurchase of his shares. Thus, appellant did not preserve this argument for appeal. *Thiele v. Stich*, 425 N.W.2d 580, 582 (Minn. 1988) (holding that appellant had not preserved a position when she "never contended" that position in the district court).

Default

Appellant argues that the district court erred in concluding that his right to dividends from SPEC ended on August 5, 2018, because the undisputed evidence showed that SPEC was in default of its obligations to timely close and tender payment as required by the SPEC Agreement. The Minnesota Supreme Court has required that the tender of payment to redeem or repurchase shares must comply with the terms of the shareholder agreement. *Drewitz v. Motorwerks, Inc.*, 728 N.W.2d 231, 237 (Minn. 2007). Here, the terms of the SPEC Agreement required closing to occur by July 25, 2019, and provided that "[t]he full purchase price for the shares sold . . . shall be paid in cash, or, at the Purchaser's option, by promissory note." Closing did not occur by July 25, 2019. However, the record shows that it was appellant, not respondents, who obstructed the closing. In a letter to appellant dated July 16, 2019, respondents stated that they "remain[ed] ready, willing and able to deliver the promissory notes to [appellant] and begin payments in accordance therewith." A party may not unjustifiably hinder the other party's performance of a contract. *In re Hennepin Cnty. 1986 Recycling Bond Litig.*, 540 N.W.2d 494, 502 (Minn. 1995). Because appellant hindered SPEC's performance under the SPEC Agreement, SPEC was not in default of its contractual obligations.

Appellant also argues, for the first time on appeal, that SPO and ESA were in default of their obligations to timely close. But because appellant did not raise this argument to the district court, it was not properly preserved for appeal. *Thiele*, 425 N.W.2d at 582.

II. The district court did not err by ordering appellant to pay $40,249 for excess compensation and insurance.

The district court granted summary judgment in favor of respondents on their counterclaim for unjust enrichment and ordered appellant to pay $40,249 in excess compensation and insurance.[4] We review the district court's summary-judgment order de novo "to determine whether there are genuine issues of material fact and whether the district court erred in its application of the law." *Montemayor*, 898 N.W.2d at 628 (quotation omitted).

Appellant challenges the district court's summary-judgment order, arguing that there were disputed facts regarding whether respondents manipulated appellant's patient mix and schedule after he returned from a medical leave in 2018 in a way that affected his productivity and compensation. But whether respondents manipulated appellant's patient mix and schedule is immaterial to the court's inquiry as to whether appellant was overdrawn on his compensation. *See Palmer v. Walker Jamar Co.*, 945 N.W.2d 844, 846 n.6 (Minn. 2020) (affirming grant of summary judgment because the disputed facts were immaterial to the dispositive legal issue). Here, appellant does not dispute that an overdraw

[4] We note that appellant challenges the entire $40,249 award, but his arguments relate only to the determination that he was required to reimburse respondents for excess compensation. He does not challenge the determination that he was required to reimburse SPEC $8,079 for the cost of tail-insurance coverage.

occurred and did not challenge the calculated overdraw amount. His claim that the overdraw was caused by the alleged manipulation of his patient mix and schedule is not material to the dispositive issue of whether he received more compensation than he earned.[5]

Appellant also argues that the district court erred by failing to deduct appellant's deferred compensation from the amount he owed to SPEC and asserts that the amount owed should not have exceeded $7,087—the amount remaining after his deferred compensation is deducted from the amount owed to respondents. But because appellant did not raise this argument at summary judgment or at any other time to the district court, it was not properly preserved for appeal. *Thiele*, 425 N.W.2d at 582.

III. The district court did not err in its shareholder-oppression rulings.

A district court may grant equitable relief to a shareholder in a corporation that is not publicly held if "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." Minn. Stat. § 302A.751, subd. 1(b)(3) (2020). Unfairly prejudicial conduct is "conduct that frustrates the reasonable expectations of the shareholders." *U.S. Bank N.A. v. Cold Spring Granite Co.,* 802 N.W.2d 363, 377 (Minn. 2011) (quotation omitted).

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[5] That is not to say appellant is without legal remedy if respondents did impermissibly manipulate his schedule and patient mix to depress his compensation after he returned from medical leave. Appellant filed a separation action alleging disability discrimination in federal court; he did not assert a claim for disability discrimination in this case, and the issue was not before the district court. Rather, the narrow question before the district court was whether appellant received more compensation than he earned under the established compensation system.

“Breaches of fiduciary duty are probably unfairly prejudicial within the meaning of section 302A.751, subd. 1(b)(3).” *Berreman v. West Pub. Co.*, 615 N.W.2d 362, 373 (Minn. App. 2000). In a closely held corporation, shareholders owe fiduciary duties to each other, which encompasses the substantive obligation “not to withhold dividends.” *Gunderson v. All. of Comput. Pros. Inc.*, 628 N.W.2d 173, 185 (Minn. App. 2001), *rev. granted* (Minn. July 24, 2001) *and appeal dismissed* (Minn. Aug. 17, 2001). A director has the fiduciary duty to discharge his duties “in good faith, in a manner the director reasonably believes to be in the best interests of the corporation, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.” Minn. Stat. § 302A.251, subd. 1 (2020). A director may rely on the advice of “counsel, public accountants, or other persons as to matters that the director[s] reasonably believe[] are within the person’s professional or expert competence.” *Id.*, subd. 2(a)(3) (2020).

In determining whether equitable relief is warranted,

> the 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.

Minn. Stat. § 302A.751, subd. 3a (2020) (emphasis added). “[W]hether a shareholder’s reasonable expectations have been frustrated is essentially a fact issue.” *Gunderson*, 628 N.W.2d at 186. A district court’s “findings of fact shall not be set aside unless clearly erroneous.” *Pedro v. Pedro*, 489 N.W.2d 798, 801 (Minn. App. 1992) (quotation omitted), *rev. denied* (Minn. Oct. 20, 1992). The clear-error standard of review “does not permit an appellate court to weigh the evidence as if trying the matter *de novo*" or "to engage in fact-finding anew." *In re Civ. Commitment of Kenney*, 963 N.W.2d 214, 221-22 (Minn. 2021) (quotations omitted). Rather, appellate courts "fairly consider[] all the evidence" and determine whether "the evidence reasonably supports the [district court's] decision." *Id.* at 222.

Appellant alleged that respondents frustrated his reasonable expectations by (1) denying him governance rights, (2) giving inadequate notice and accommodations for board meetings, (3) delaying payment of a portion of his post-termination distributions, and (4) valuing his shares according to the terms of the Agreements. The district court determined that respondents frustrated appellant's reasonable expectation to participate in the governance of the SPEC Entities but rejected his other shareholder-oppression theories. The district court ordered that appellant's shares be bought out according to the valuation formulas set forth in the Agreements. Appellant challenges the district court's rulings concerning the delayed distributions, the valuation method for his shares, and the relief ordered by the district court.

Delayed Distributions

Appellant argues that respondents acted in an unfairly prejudicial manner toward him and frustrated his reasonable expectation to be paid his distributions at the same time as all other shareholders. The record establishes that respondents prepared checks for appellant's 2018 prorated dividends at the same time dividends were paid to other shareholders, but respondents withheld these checks at the direction of the executive committee. The executive committee's direction to hold the checks was based on the advice of their litigation counsel. Appellant also brought a breach-of-fiduciary-duty claim based on the same underlying conduct.

The district court concluded that respondents did not breach any fiduciary duty to appellant with respect to the delay in distribution payments, reasoning:

> The Director [respondents'] actions in delaying the distribution payments to [appellant] were made on the advice of counsel. Given the uncertainty of the extent of [appellant's] overdraw and the parties' disagreement regarding the proration date, the decision to delay the payments was made in good faith and in the best interest of the corporations.

For the same reasons, the district court concluded that respondents' decision to delay distributions to appellant was not unfairly prejudicial within the meaning of Minn. Stat. § 302A.751 (2020). Appellant argues that the district court erred in not separately analyzing the legal requirements of a claim of unfairly prejudicial conduct under section 302A.751 and in not finding that the withholding of appellant's distributions constituted unfairly prejudicial conduct.

Although the district court relied on its breach-of-fiduciary-duty analysis, it identified legitimate reasons that justified the delay, including the advice of counsel, appellant's overdraw, and the parties' disagreement regarding the proration date. And the determination that respondents did not breach their fiduciary duties is plainly relevant to the question of whether appellant's reasonable expectations were frustrated, as a breach of fiduciary duty could frustrate a shareholder's reasonable expectations. But here no breach occurred, and the conduct was reasonable under the circumstances identified by the district court. The record therefore supports the district court's determination that respondents' conduct did not frustrate appellant's reasonable expectations.

Valuation Method

Appellant challenges the district court's finding that appellant's "expectation upon signing the Agreements was that his buy-out would be calculated as set forth in the Agreements." There is a statutory presumption that written agreements "reflect the parties' reasonable expectations concerning matters dealt with in the agreements." Minn. Stat. § 302A.751, subd. 3a. Written agreements carry great weight in determining a shareholder's reasonable expectations, but "are not dispositive of shareholder expectations in all circumstances." *Gunderson*, 628 N.W.2d at 186. "[W]ritten agreements should, nonetheless, be honored to the extent they specifically state the terms of the parties' bargain." *Id.*

Here, the district court relied on the following evidence to determine that the accrual-based calculation method provided for by the Agreements did not violate appellant's reasonable expectations: (1) appellant's expectation that his buy-out would be calculated as set forth in the Agreements; (2) neither appellant nor the other shareholders were aware that the valuations calculated between 2008 and 2017 were not in compliance with the terms of the Agreements; (3) before appellant's employment terminated, he "had an opportunity to voice his objection or expectation" when the board decided to utilize the accrual-based methodology for valuations going forward; and (4) appellant was aware respondents would be switching to accrual-based balance sheets for valuations.

Appellant argues that the evidence at trial established a consistent practice with prior shareholders such that appellant reasonably expected he would be bought out using the same valuation method used for the previous departing shareholders. However, the record shows that, following Dr. Kennedy's settlement, the Board of Directors of the SPEC Entities, including appellant, agreed to use the formulas set forth in the Agreements to calculate future buyouts. Appellant asserts that he was not fully informed of the various calculation methods, but he attended board meetings where the issue was discussed, had written materials relating to the issues, and obtained written materials relating to Dr. Kennedy's settlement. The district court's determination was therefore consistent with the trial evidence and with the statutory presumption that written agreements "reflect the parties' reasonable expectations." Minn. Stat. § 302A.751, subd. 3a. Accordingly, the district court did not clearly err in finding that appellant had no reasonable expectation for his shares to be valued contrary to the Agreements.

Relief

Once a shareholder demonstrates unfair prejudice, the court may order an equitable buy-out of his shares. Minn. Stat. § 302A.751, subd. 2 (2020); *see also Pedro*, 489 N.W.2d at 802 (stating that district courts have broad equitable powers in fashioning relief for the buy-out of shareholders in a closely held corporation). The statute provides:

> The purchase price of any shares so sold shall be the fair value of the shares as of the date of the commencement of the action or as of another date found equitable by the court, provided that, if the shares in question are then subject to sale and purchase pursuant to the bylaws of the corporation, a shareholder control agreement, the terms of the shares, or otherwise, the court shall order the sale for the price and on the

> terms set forth in them, unless the court determines that the price or terms are unreasonable under all the circumstances of the case.

Minn. Stat. § 302A.751, subd. 2. "This court will reverse a district court's equitable remedy only if the district court abuses its discretion." *State ex rel. Swan Lake Area Wildlife Ass'n v. Nicollet Cnty. Bd. of Cnty. Comm'rs*, 799 N.W.2d 619, 625 (Minn. App. 2011).

Appellant argues that the district court erred by failing to order a fair-value buy-out of his shares. The district court determined that respondents frustrated appellant's reasonable expectations and treated appellant in an unfairly prejudicial way by preventing appellant from participating in the governance of the SPEC Entities. The district court therefore had the discretion to order an equitable buy-out of appellant's shares. But because the sale of appellant's shares was subject to the terms of the Agreements, the district court was required to "order the sale for the price and on the terms set forth in them, unless the court determine[d] that the price or terms [were] unreasonable under all the circumstances of the case." Minn. Stat. § 302A.751, subd. 2. As discussed above, the district court determined that appellant's reasonable expectation was that the valuations would be calculated under the terms of the Agreements. Accordingly, the district court did not abuse its discretion in ordering that appellant's shares be valued in accordance with the method set forth in the Agreements.

Appellant further argues that the district court failed to consider all the circumstances of the case when ordering relief because it bifurcated the damages portion of the trial and did not allow him to present evidence on damages during the first stage of trial. Respondents contend that appellant's challenge to the district court bifurcation order is not properly before this court because appellant did not move for a new trial. The Minnesota Supreme Court has stated that "matters such as trial procedure [and] evidentiary rulings . . . are subject to appellate review only if there has been a motion for a new trial in which such matters have been assigned as error." *Sauter v. Wasemiller*, 389 N.W.2d 200, 201 (Minn. 1986). But the supreme court later clarified that "pretrial orders on motions in limine are appealable regardless of whether those orders have been assigned as error in a motion for a new trial" while "[t]he *Sauter* rule continues to apply to motions brought or decided during trial." *County of Hennepin v. Bhakta*, 922 N.W.2d 194, 199 (Minn. 2019).

The supreme court in *Bhakta* ruled only that challenges to pretrial motions in limine need not be raised in a motion for a new trial. Neither this court nor the supreme court has addressed whether its underlying reasoning applies to other types of pretrial orders. Assuming without deciding that *Bhakta* allows appellant to challenge the district court's pretrial order bifurcating the trial, we conclude that his challenge fails. "The court, in furtherance of convenience or to avoid prejudice, or when separate trials will be conducive to expedition and economy, may order a separate trial of one or any number of claims . . . or of any separate issues." Minn. R. Civ. P. 42.02. And a district court's decision to order separate trials will not be overturned absent a clear abuse of discretion. *McGuire v. C & L Rest., Inc.*, 346 N.W.2d 605, 614 (Minn. 1984).

Here, the district court's summary-judgment order identified the factual dispute concerning valuation as whether appellant "had a reasonable expectation of using a method of valuation that varied from [the method] set forth in [the Agreements]." Evidence related to the value of the shares under different valuation methods is not relevant to this determination—such evidence would only become relevant if the district court first determined that appellant had a reasonable expectation that his shares would be valued using a method that varied from the method established in the Agreements. Because the district court determined that the terms of the Agreements reflected appellant's reasonable expectations regarding valuation method, the evidence was unnecessary. Thus, we discern no abuse of discretion in the district court's bifurcation decision as it was "conducive to expedition and economy." Minn. R. Civ. P. 42.02.

IV. The district court did not abuse its discretion in declaring respondents the prevailing parties.

"[T]he district court retains discretion to determine which party, if any, qualifies as a prevailing party" when considering a request for costs incurred. *Benigni v. County of St. Louis*, 585 N.W.2d 51, 54-55 (Minn. 1998). The district court abuses this discretion only if its decision "is against logic and facts on the record." *Posey v. Fossen*, 707 N.W.2d 712, 714 (Minn. App. 2006). And the party challenging a district court's exercise of its discretion bears the burden to demonstrate "that no reasonable person would agree with the trial court's assessment." *Id.* (quotation omitted).

The determination of which party—if any—is the prevailing party depends on the "careful weighing of the relative success of the parties to a lawsuit, a process that invests a certain amount of discretion in the district court." *Id.* at 715. Here, the district court conducted a review of the totality of the litigation and acknowledged that both parties succeeded to some extent. Appellant succeeded in proving one of his shareholder-oppression claims under Minn. Stat. § 302A.751, but "the remedy awarded to him is the amount calculated by [respondents] to be the appropriate amount for the purchase of the shares under the Agreements." Whereas respondents succeeded on two of their counterclaims and appellant's breach-of-fiduciary-duty claims were decided in respondents' favor. After weighing the relative success of the parties as required, the district court concluded that respondents were more successful and were thus the prevailing parties.

Appellant argues that the district court should have determined that he was the prevailing party because he succeeded in proving his primary claim—that respondents treated him in an oppressive and unfairly prejudicial manner—or, alternatively, that neither party prevailed. Although appellant prevailed on one of his shareholder-oppression theories, the relief ordered by the district court equated to what respondents initially offered: a buy-out of appellant's shares according to the terms of the Agreements. Conversely, respondents obtained a $40,249 judgment on their breach-of-contract and unjust-enrichment counterclaims. Because reasonable persons could agree that respondents were the prevailing parties in this action, the district court did not abuse its discretion.

V. The district court did not abuse its discretion by not awarding appellant attorney fees.

Pursuant to Minn. Stat. § 302A.751, subd. 4 (2020), a court has the discretion to award reasonable expenses, including attorney fees, if the court finds that a party to a proceeding "has acted arbitrarily, vexatiously, or otherwise not in good faith." This court "will not reverse the district court's decision on attorney fees absent an abuse of discretion." *Carlson v. SALA Architects, Inc.*, 732 N.W.2d 324, 331 (Minn. App. 2007), *rev. denied* (Minn. Aug. 21, 2007).

The district court found that neither party acted arbitrarily, vexatiously, or otherwise not in good faith, and ordered that all parties pay their own attorney fees. Appellant asserts that the district court abused its discretion, arguing that respondents acted arbitrarily, vexatiously, and in bad faith by (1) taking secret action to remove appellant from the SPEC Entities' boards; (2) deliberately withholding distributions owed to appellant to gain litigation advantage; and (3) attempting to force appellant to accept a valuation that was nearly $159,000 less than it would have been had respondents followed their historical valuation method.

The district court determined that respondents treated appellant in an unfairly prejudicial way and frustrated his reasonable expectations by preventing him from participating in the governance of the SPEC Entities. But it found that respondents "believed these actions were necessary and in the best interests of the entities because [appellant] was no longer employed by SPEC, had become hostile to the companies, and was actively pursuing dissolution of the businesses." Additionally, the district court determined that it was not improper to delay appellant's distribution payments or to offer to buy appellant's shares according to the terms of the Agreements. It was within the district court's discretion to determine that, under these circumstances, respondents had not acted arbitrarily, vexatiously, or otherwise not in good faith. Thus, the district court did not abuse its discretion by denying appellant attorney fees and costs.

Affirmed.