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Minn. Stat. § 480A.08, subd. 3 (2008).*

**STATE OF MINNESOTA
IN COURT OF APPEALS
A09-750**

Phyllis Junnila,
Relator,

vs.

South of the River Music LLC,
Respondent,

Department of Employment and Economic Development,
Respondent.

**Filed January 26, 2010
Affirmed
Bjorkman, Judge**

Department of Employment and Economic Development
File No. 21104222-5

Phyllis R. Junnila, Mendota Heights, MN (pro se relator)

South of the River Music LLC, Bloomington, MN (respondent)

Lee B. Nelson, Amy R. Lawler, Minnesota Department of Employment and Economic
Development, St. Paul, MN (for respondent Department of Employment and Economic
Development)

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

UNPUBLISHED OPINION

BJORKMAN, Judge

Relator challenges the decision by the unemployment-law judge (ULJ) that she quit without good reason caused by her employer. Because we find that the ULJ's decision is supported by substantial evidence, we affirm.

FACTS

Relator Phyllis Junnila worked as the office manager for respondent South of the River Music LLC, a music school, from December 12, 2007, through June 5, 2008. Junnila resigned because of what she perceived as unethical and illegal conduct by South of the River.

Junnila described multiple incidents, most of which center around South of the River's financial practices. Specific instances include South of the River's handling of employee timecards and pay, mismanagement of scholarship funds, and the failure to pay back taxes owed to the state. For example, Junnila worked for months to get an employee's overtime properly calculated and fielded calls from the Minnesota Department of Revenue concerning unpaid back-taxes, but was met with hostility or no response at all from South of the River.

Junnila testified that South of the River's financial practices impacted her because the affected employees reported to her, and third parties expressed their concerns to her in her capacity as office manager. Junnila stated that she discussed specific incidents with the business owners, Dwight Harrison and Angela Fox, as those incidents arose. But she never conveyed to the owners her dissatisfaction with the working conditions or

her concerns that the company was engaged in illegal business practices. While Fox always referred Junnila to Harrison with complaints or problems, Junnila testified that “[y]ou don’t talk to Mr. Harrison about anything. He just gets mad.”

After ending her employment, Junnila established an employment account with respondent Minnesota Department of Employment and Economic Development (DEED) and was determined ineligible for benefits. She appealed, and an evidentiary hearing was held before a ULJ. South of the River did not appear at this hearing, and the ULJ determined that Junnila was eligible for benefits.¹ South of the River requested reconsideration based on its lack of participation in the hearing. The ULJ granted a second evidentiary hearing.

During the second hearing, Fox appeared on behalf of South of the River and presented evidence that conflicted with Junnila’s portrayal of the company. The ULJ reversed his earlier decision, concluding that Fox “is a more persuasive witness than Junnila” and that she “describes a more likely chain of events than Junnila.” The ULJ found that while the workplace was unorganized, Junnila was not directly affected by the events about which she complained. The ULJ concluded that Junnila did not quit because of a good reason caused by South of the River. This certiorari appeal follows.

D E C I S I O N

On appeal from a determination of a ULJ, this court

¹ The record shows that the ULJ’s first call to South of the River went to voicemail. The ULJ called back 15 minutes later. After the second call went unanswered, the ULJ conducted the hearing without a South of the River representative.

may affirm the decision of the [ULJ] or remand the case for further proceedings; or it may reverse or modify the decision if the substantial rights of the petitioner may have been prejudiced because the findings, inferences, conclusion, or decision are . . . affected by other error of law [or] unsupported by substantial evidence[.]

Minn. Stat. § 268.105, subd. 7(d) (2008).

We view the ULJ's factual findings "in the light most favorable to the decision." *Peterson v. Nw. Airlines, Inc.*, 753 N.W.2d 771, 774 (Minn. App. 2008), *review denied* (Minn. Oct. 1, 2008). We also give deference to the ULJ's credibility determinations. *Id.* As a result, we "will not disturb the ULJ's factual findings when the evidence substantially sustains them." *Id.*

An applicant is eligible to receive unemployment benefits if she left her employment because of a good reason caused by the employer. Minn. Stat. § 268.095, subd. 1(1) (2008). A "good reason caused by the employer" is defined by statute as a reason:

- (1) that is directly related to the employment and for which the employer is responsible;
- (2) that is adverse to the worker; and
- (3) that would compel an average, reasonable worker to quit and become unemployed rather than remaining in the employment.

Id., subd. 3(a) (2008). In addition, an employee subjected to adverse working conditions "must complain to the employer and give the employer a reasonable opportunity to correct the adverse working conditions before that may be considered a good reason caused by the employer for quitting." *Id.*, subd. 3(c) (2008). Whether an employee quit

without a good reason caused by her employer is a legal question, which we review de novo. *Peppi v. Phyllis Wheatley Cmty. Ctr.*, 614 N.W.2d 750, 752 (Minn. App. 2000).

Junnila claims that she quit for good reason caused by the employer because her position at South of the River involved her in unethical and illegal activity. DEED asserts that Junnila did not have good reason to quit because she was not directly affected by any of the challenged business practices and because she did not raise her concerns with South of the River.

In his “reasons for decision,” the ULJ states that “[t]he specific events cited by Junnila did not affect her directly.” Whether Junnila was directly affected is not the statutory standard. Rather, the statute requires that the conduct complained of be “directly related to the employment,” caused by the employer, and “adverse to the worker.” But the ULJ’s error is not determinative as we review de novo the legal issue of whether Junnila terminated her employment for a good reason caused by South of the River.

Illegal conduct by an employer directed at an employee can be a valid reason for an employee to terminate employment. *Kahnke Bros. Inc. v. Darnall*, 346 N.W.2d 194, 196 (Minn. App. 1984). General frustration or dissatisfaction with working conditions does not constitute good cause to leave employment. *Portz v. Pipestone Skelgas*, 397 N.W.2d 12, 14 (Minn. App. 1986). Reasons for quitting must be compelling, real, substantial, and reasonable. *Trego v. Hennepin County Family Day Care Ass’n*, 409 N.W.2d 23, 26 (Minn. App. 1987).

Because of her management position, Junnila believed that she was contributing to what she perceived as illegal and unethical financial practices. But the record shows that Junnila's position did not require her to do anything illegal, nor was she the subject of any illegal behavior by South of the River. All of the alleged financial irregularities affected other people, not Junnila. On this record, we conclude that the business practices Junnila cites were related to her employment but were not adverse to her. And while South of the River's practices may have caused Junnila frustration and discomfort, they would not compel a reasonable employee to quit.

Even if South of the River's business practices would cause a reasonable employee in Junnila's position to quit, Junnila failed to alert South of the River to the situation and provide an opportunity to address the issues. *See* Minn. Stat. § 268.095, subd. 3(c). Junnila admits that she never communicated to the owners her discomfort with the company's general financial management or that she thought the company was engaged in illegal business practices.² Because Junnila did not give South of the River an opportunity to reform the financial practices she believed were illegal and unethical, and because the conduct challenged was not adverse to her, we conclude that she quit without a good reason caused by her employer.

Affirmed.

² Junnila brought a legal issue to her employer's attention on only one occasion. The issue involved changing employee timecards. Junnila was a salaried employee, so the change was not adverse to her.