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Minn. R. Civ. App. P. 136.01, subd. 1(c).

STATE OF MINNESOTA
IN COURT OF APPEALS
A22-1393

Patrick Schaffer, et al.,
Respondents,

vs.

Curt Haler, et al.,
Appellants,

Vermillion Acres, LLC, et al.,
Defendants.

Filed March 13, 2023
Affirmed
Connolly, Judge

Dakota County District Court
File No. 19HA-CV-17-3360

Cory A. Genelin, Jonathan M. Janssen, Gislason & Hunter LLP, Mankato, Minnesota (for respondents)

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Considered and decided by Connolly, Presiding Judge; Jesson, Judge; and Slieter, Judge.

NONPRECEDENTIAL OPINION

CONNOLLY, Judge

On appeal from judgment following a bifurcated trial on partnership-related claims, appellants challenge the district court's denial of their motion for a new trial, arguing that the court erred in (1) allocating the partnership's profits and losses; and (2) determining the partnership property. We affirm.

FACTS

This case arises from a large-scale farming operation carried on between appellants Curt Haler and Paul Beskau, and respondents Patrick Schaffer (P. Schaffer) and Wilbert Schaffer (W. Schaffer).[1] Beskau and Haler have operated many businesses. Haler owns appellant Vermillion Acres, LLC (VA), and both Haler and Beskau own Team Dairy, LLC; Vermillion Cattle (VC); and Vermillion Prairie Park, LLC. Beskau once owned a company called Empire House, LLC, owns appellant Ger-Bes Enterprises, L.L.P. (GBE) with his wife, and owns appellant Beskau Farms, LLC (BF) with his mother. Beskau also formed Beskau Properties, LLC with his mother and five brothers.

By the end of December 2007, Beskau had over $6 million in debt. In 2008, Beskau's bank called his note, and by the end of the crop year in 2008, no bank would consider working with Beskau. In 2009, Beskau still had $2.7 million in debt, his farm assets had been liquidated, and as of planting in 2009, he had a negative net worth.

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[1] P. Schaffer's spouse Sarah Schaffer and W. Schaffer's spouse Carol Schaffer are also respondents on this action. P. Schaffer and W. Schaffer are collectively referred to as "the Schaffers," and the Schaffers and their spouses are collectively referred to as "respondents."

Beskau was also barred from receiving payments from Farm Services Agency (FSA) programs. Around the time the parties formed their business arrangement, GBE was being audited by the FSA. The FSA accused GBE of a scheme against the government to avoid FSA payment limitations and, after the audit was completed, the FSA required GBE to pay back $130,000. Beskau's financial position also had consequences for Haler because GBE custom farmed for Haler and leased equipment to Haler. Because Haler relied on GBE for equipment, Haler had no supplier of equipment.

In early 2009, Haler and Beskau discussed forming a business relationship with the Schaffers. At the time, the Schaffers were aware of Beskau's financial situation, which put them on notice that Beskau had very little to contribute to any business arrangement. In fact, as respondents point out, Beskau and Haler entered into the business arrangement "with five pieces of equipment, $2.7 [million] in bad debt, $1.2 [million] in judgments, no credit, a prohibition from working with the FSA, and in mental collapse." But the formation of a business relationship with Beskau and Haler would, among other things, provide the Schaffers with more land to farm and, as P. Schaffer testified, the opportunity to make additional profits.

The parties' business relationship ended in 2016, after the Schaffers received an anonymous letter from an employee who claimed that Beskau and Haler had been stealing from the Schaffers for years. Respondents then brought this action against appellants, asserting various claims. Appellants answered and counterclaimed, alleging that the parties' farming operation constituted a partnership. Appellants also asserted various

claims against respondents, including application for winding up and dissolution of the partnership.

The case was bifurcated into two trial phases. The first phase (Trial I) was tried to a jury on the issue of whether the farming operation between Haler, Beskau, and the Schaffers constituted a general partnership. The jury returned a verdict concluding that a partnership agreement existed, beginning in February 2009, and ending in September 2016.

The second phase (Trial II) was tried to the district court[2] on issues related to the terms of the partnership agreement and the assets and liabilities of the partnership. Following Trial II, the district court found:

> This case presents an unusual legal challenge of the highest order of complexity. The parties through their actions, and more importantly inaction, have created what can be charitably described as a legal "mess." They engaged in a long running relationship over approximately 7 ½ years, involving the farming of 10,000 acres of land, generating millions of dollars, with countless transactions involving the sale and lease of land, the purchase, sale, and acquisition of personal property, as well as distributions themselves, all without any agreement or writing as to the terms of what they were doing.

The district court found that during initial discussions related to the formation of the partnership, Beskau and Haler requested a yearly payout from the partnership of $95,000, but ultimately agreed to receiving $72,000 per year from the partnership. And the district court found no indication that Haler and Beskau received anything more than this amount in the form of draw/wages. The district court determined that "[n]early eight years of

[2] After Trial I, the case was assigned to a different district court judge, who presided over Trial II.

performance is sufficient to establish an implied contract" between the partners, and that Beskau and Haler "received $72,000 per year regardless of the profits or losses of the Partnership." The district court, therefore, ordered that Beskau and Haler "receive a guaranteed return of $72,000 of Partnership profits per year, regardless of each year's profit or loss. Any amount not distributed to them shall be credited to their capital accounts."

With respect to partnership contributions, the district court found that the "initial contributions" of the Schaffers were "significantly larger" than Beskau and Haler's. For example, the district court found that the Schaffers contributed over $300,000 before the partnership began, and over $4 million in 2009 alone. The district court also found that the Schaffers contributed to the partnership, without compensation, the use of 1,451 acres of farmland; their 488,000-bushel-capacity grain facilities; 133,512 square feet of shop, office, and other facilities; and over $2.5 million worth of equipment. And the district court found that the Schaffers purchased additional land, facilities, and equipment in their names during the existence of the partnership, which they contributed to the partnership. Conversely, the district court found that Beskau and Haler's contributions to the partnership were insignificant, as "Beskau lacked any significant assets to contribute," and Haler contributed only five pieces of equipment. In light of this disparity, the district court determined that "[t]here was never any evidence, intent, or terms from the outset that this be an 'equal' deal" because "[a]t its inception, the financial contributions ranged from millions from the Schaffers to nothing from Beskau."

In addition to their lack of tangible contributions to the partnership, the district court found that, despite agreeing to provide an equal amount of labor to the partnership as

respondents, Beskau and Haler "did not work for the Partnership full time." Instead, Beskau and Haler "devoted themselves to ventures other than the Partnership," including five other businesses. The district court found that "[g]iven the wide disparity in contributions and financial commitment, a finding of equality in ownership, liability for losses, and rights to profits would be unfair." The district court then ordered that the Schaffers "would bear all risk of the Partnership's losses," and that Beskau and Haler's "failure to assume any risk from the Partnership is in part an equitable justification for the unequal distributions that will arise from this ruling."

The unequal distributions are also reflected by the district court's determination that "[t]he land, facilities, equipment, and improvements purchased by Haler, Beskau, and [the] Schaffers during the Partnership period are not Partnership assets." In making this determination, the district court found that appellants cannot show that any of the "titled equipment at issue" was purchased with partnership profits because the "record suggests that these assets were purchased with [the] Schaffers' personal debts." The district court also found that appellants cannot show that any of the land at issue was purchased with partnership profits because the record suggests that the land was purchased with the Schaffers' personal debts, and there is "no indication on the title that any interest was taken by" appellants, the Schaffers' business Cedar Ridge Enterprises (CRE), or the partnership. The district court concluded that "the objective behavior of all parties indicates that the Partnership Agreement included an agreement that each partner was free to make personal purchases of property without said property being Partnership property, even when that property was used for Partnership purposes." The district court then ordered that the

partnership owes (1) the "Schaffers for the rental value of their land, facilities, and equipment in calculation of any Partnership profit or loss," and (2) "Haler for the rental value of his equipment in calculation of any Partnership profit or loss."

Finally, the district court found that the "Partnership had no debt other than the Partnership's debts to partners for their contributions." In so finding, the district court rejected appellants' claim that the Vermillion State Bank Line of Credit (VSBLOC) was partnership debt because the VSBLOC existed before and after the partnership, was in the names of all four respondents, and was secured by a mortgage over W. Schaffer and Carol Schaffer's land. The district court also found that respondents used the VSBLOC to cover checks from their personal checking accounts for contributions to the partnership, as well as for "snowmobiles, vacations, a cabin, donations to their church, and a loan to a family member." And the district court found that the VSBLOC was not acquired in the name of the partnership and was never transferred to Beskau and Haler despite the Schaffers' repeated invitations for Beskau and Haler to take liability for it. Thus, the district court ordered that, because the "VSBLOC and other purchase money debts at issue in this matter are the debts of [respondents] and not of the Partnership," the partnership "capital account . . . for the Schaffers should reflect the increase in their debt . . . over the term of the Partnership for the contributions of cash made by [the] Schaffers."

Appellants moved for amended findings and a new trial.[3] The district court denied the motion, concluding that the order, consistent with the "purpose" of Trial II, "filled in

[3] After the district court issued its order following Trial II, the presiding judge retired, and the case was assigned to a third district court judge.

the blanks of the partnership agreement and [the] findings and conclusions are supported by the evidence and are not contrary to law." This appeal follows.

DECISION

Appellants challenge the denial of their motion for a new trial, arguing that the district court erred in (1) allocating the profits and losses of the partnership, and (2) determining the partnership property.[4] "A district court may grant a new trial for errors of law occurring at the trial or when the verdict is not justified by the evidence, or is contrary to law." *Christie v. Estate of Christie*, 911 N.W.2d 833, 838 (Minn. 2018) (quotations omitted). We review a district court's decision to grant or deny a motion for a new trial for an abuse of discretion. *Id.* "A district court abuses its discretion by making findings of fact that are unsupported by the evidence, misapplying the law, or delivering a decision that is against logic and the facts on record." *Woosley v. Woosley*, 975 N.W.2d 502, 506 (Minn. 2022) (quotation omitted). But when a district court exercises no discretion and decides a motion for a new trial because of an error of law, a de novo standard of review applies. *Halla Nursery, Inc. v. Baumann-Furie & Co.*, 454 N.W.2d 905, 910 (Minn. 1990).

I.

In Minnesota, partnerships are governed by the Minnesota Uniform Partnership Act (MUPA) of 1994. *See* Minn. Stat. §§ 323A.0101-.1203 (2022). Under MUPA, a partnership is defined as "an association of two or more persons to carry on as co-owners

[4] Appellants acknowledge that they have not challenged the district court's denial of their motion for amended findings. They have also not argued that any of the findings are clearly erroneous.

a business for profit." Minn. Stat. § 323A.0101(8). "Each partner is entitled to an equal share of the partnership profits and is chargeable with a share of the partnership losses in proportion to the partner's share of the profits." Minn. Stat. § 323A.0401(b). "Unless displaced by particular provisions of [MUPA], the principles of law and equity supplement [it]." Minn. Stat. § 323A.0104(a).

Appellants argue that, because the jury found that the parties formed a partnership by implication, "MUPA governs all aspects of the partnership" unless otherwise agreed upon by the partners. Appellants contend that, because the parties all admitted that there was no agreement to alter MUPA's rules governing the sharing of profits and losses, MUPA required that the partners all share equally in the profits and losses of the partnership. Appellants further contend that the district court committed a "fundamental error of law" by deviating from this rule and "divid[ing] the assets pursuant to the court's own sense of equity," including "assigning a fixed sum to [Beskau and Haler] rather than have them share in the profits and losses of the partnership." Thus, appellants argue that the district court abused its discretion in denying their motion for a new trial.

We disagree. "The general rule is that partners may by agreement determine their rights and duties to the partnership." *Maus v. Galic*, 669 N.W.2d 38, 44 (Minn. App. 2003). As this court stated in *In re L-tryptophan Cases*, "[p]artners may change their statutory and common law duties by incorporating such changes into their partnership agreement, as long as the major purpose of the change is not to shield wrongdoers from liability." 518 N.W.2d 616, 620 (Minn. App. 1994) (recognizing that "[p]artners are free to vary many aspects of their relationship but they are not free to destroy its fiduciary character"); *see Seattle-First*

Nat'l Bank v. Marshall, 641 P.2d 1194, 1199 (Wash. Ct. App. 1982) ("One of the salient characteristics of partnership law is the extent to which partners may write their own ticket. Relations among them are governed by common law and statute, but almost invariably can be overridden by the parties themselves."), *rev. denied*, 97 Wash.2d 1023 (Wash. 1982).

The general rule that partners may "write their own ticket" is codified in MUPA, which provides: "Except as otherwise provided in subsection (b), relations among the partners and between the partners and the partnership are governed by the partnership agreement. *To the extent the partnership agreement does not otherwise provide, this chapter governs relations among the partners and between the partners and the partnership*." Minn. Stat. § 323A.0103(a) (emphasis added). Subpart (b) of section 323A.0103 then provides a list of terms that are prohibited by a partnership agreement. Minn. Stat. § 323A.0103(b). There is nothing in this subpart that prohibits partners from agreeing to the distribution of unequal shares of the partnership's profits and losses. *See id.* As such, the plain language of MUPA indicates that partners may, by agreement, deviate from the general rule that partners are entitled to share equally in a partnership's profits and losses.

Turning to appellants' claim that the default provisions of MUPA apply because the parties had no agreement related to profits and losses, we note that MUPA defines a "[p]artnership agreement" as an "agreement, whether written, oral, or *implied*, among the partners concerning the partnership, including amendments to the partnership agreement." Minn. Stat. § 323A.0101(9) (emphasis added). The implied terms of a partnership agreement can be proven at trial. *See Tuller v. Swift*, 129 N.W. 572, 576 (Minn. 1911).

In *Tuller*, the supreme court recognized the general rule that

> [t]he profits of a partnership are to be divided equally between the partners, however unequal may be their contributions of capital or of service, *in the absence of an agreement express or implied to the contrary, or unless some fact or circumstance exists from which it may be inferred that the partners intended that the profits should be divided in unequal proportions*.

Id. at 575 (quotation omitted and emphasis added). The court then added that "[w]here there is no proof of an agreement between the partners as to apportionment, the presumption will be that both profits and losses were to be divided equally." *Id.* (quotation omitted). But the court stated that this "presumption may be rebutted by evidence of circumstances showing that the partners intended differently. It is a question of intention, to be determined by a consideration of all the facts available for the construction of the contract." *Id.* (quotation omitted). The court went on to hold that the evidence and the facts found by the district court overcame any presumption that the stock at issue was to be equally divided between the parties. *Id.* at 576.

Here, the district court found that "[u]neven division [of profits] can be inferred" from the facts and circumstances of this case. In reaching this finding, the district court noted that Beskau and Haler "received $72,000 per year regardless of the profits or losses of the Partnership," which "continued for nearly five years." The district court also recognized that the following behavior by Beskau and Haler is "incompatible with equality, but compatible with a partner whose share was unequal": (1) Beskau and Haler "spent considerable time, efforts, and capital on their five other businesses"; (2) Beskau and Haler "started VC during the Partnership"; (3) Beskau and Haler "executed personal guaranties

for their other businesses, illustrating their dedication to these ventures"; and (4) Beskau purchased BF during the partnership, and "subleased (and later leased) properties to the Partnership for rates more than double what he was leasing them for, thus moving potential profits out of the Partnership and into other companies." In addition, the district court referenced the Schaffers' behavior, such as (1) behaving as if Beskau and Haler were due their $72,000 annually and nothing more; (2) taking the remaining partnership profits and suffering losses; (3) never providing financial, profit, or loss information to Beskau and Haler; and (4) making no attempt to conceal the fact that they were taking money out of the partnership at will. Finally, the district court explained that "[g]iven the wide disparity in contributions and financial commitment, a finding of equality in ownership, liability for losses, and rights to profits would be unfair."

Because the district court found that the parties' conduct created an implied agreement not to share the partnership profits and losses equally, MUPA's default provision that partnership profits and losses be shared equally does not apply. *See* Minn. Stat. § 323A.0103(a) ("Except as otherwise provided in subsection (b), relations among the partners and between the partners and the partnership are governed by the partnership agreement. *To the extent the partnership agreement does not otherwise provide, this chapter governs relations among the partners and between the partners and the partnership*." (emphasis added)). Although appellants claim that "there is no evidence in the record that the Partners entered into *any* agreements that would otherwise govern the Partnership," they do not challenge the sufficiency of the evidence to support any of the district court's findings to the contrary. Instead, they simply assert that there was no

agreement, and that because there was no agreement, the district court was legally obligated to allow Beskau and Haler to equally share in the partnership's profits and losses under MUPA. But the district court found that there *was* an agreement as to the terms of the allocation of the partnership profits and losses, and the district court's unchallenged findings related to the parties' conduct and their inferred agreement are extensive and well supported by the record. And to the extent that there is conflicting evidence related to the parties' intentions, the district court did not find this evidence to be credible, which is a determination that we give deference. *See Landmark Cmty. Bank, N.A. v. Klingelhutz*, 927 N.W.2d 748, 755 (Minn. App. 2019) (stating that appellate courts "do not reweigh the evidence that was before the district court, and . . . defer to a district court's credibility determinations"). The district court did not err in finding that the parties agreed not to share the partnership profits and losses equally.

Appellants further argue that "a 'fixed return' partnership does not exist as a matter of law under . . . MUPA or Minnesota common law." Appellants claim that, instead, "[p]ayment of a fixed amount, unrelated to a partnership's actual profits or losses, constitutes a wage paid to an independent contractor or employee, not a sharing of profits." Thus, appellants contend that the district court erred by assigning a fixed sum to Beskau and Haler rather than have them share in the profits or losses of the partnership.

Again, we disagree. MUPA is clear that partners can agree to any partnership terms they desire, provided the terms do not appear on the list of prohibitions contained in section 323A.0103(b). A review of that section supports respondents' position that there is nothing in MUPA prohibiting a fixed-return partnership. *See* Minn. Stat. § 323A.0103(b). Because

a fixed-return partnership is not prohibited by MUPA, the district court was free to use its equitable powers to fashion an order consistent with the evidence presented at trial. *See* Minn. Stat. § 323A.0104 ("Unless displaced by particular provision of this chapter, the principles of law and equity supplement this chapter."). Based on the unique facts and circumstances of this case, the district court exercised its equitable powers to conclude that Beskau and Haler "would receive a guaranteed return of $72,000 of Partnership profits per year, regardless of each year's profit or loss." Indeed, the district court's decision allows Beskau and Haler to share in the profits of the partnership. Therefore, appellants have not shown that the district court erred in allocating the profits and losses of the partnership.

II.

Appellants also challenge the district court's determination of the partnership property. They argue that the district court erred by (A) determining that certain land, equipment, and assets did not belong to the partnership; (B) awarding the Schaffers rent for land used by the partnership in the absence of a rental agreement; and (C) treating a line of credit obtained by respondents as a capital contribution rather than a liability of the partnership.

A. Determination that certain property is not partnership property

MUPA provides that "[p]roperty acquired by a partnership is property of the partnership and not of the partners individually." Minn. Stat. § 323A.0203. "Property is partnership property if acquired in the name of: (1) the partnership; or (2) one or more partners with an indication in the instrument transferring title to the property of the person's capacity as a partner or the existence of a partnership but without an indication of the name

of the partnership." Minn. Stat. § 323A.0204(a). Similarly, "Property is acquired in the name of the partnership by a transfer to: (1) the partnership in its name; or (2) one or more partners in their capacity as partners in the partnership, if the name of the partnership is indicated in the instrument transferring title to the property." Minn. Stat. § 323A.0204(b).

"Property is presumed to be partnership property if purchased with partnership assets, even if not acquired in the name of the partnership or of one or more partners with an indication in the instrument transferring title to the property of the person's capacity as a partner or of the existence of a partnership." Minn. Stat. § 323A.0204(c). However, "Property acquired in the name of one or more of the partners, without an indication in the instrument transferring title to the property of the person's capacity as a partner or of the existence of a partnership and without use of partnership assets, is presumed to be separate property, even if used for partnership purposes." Minn. Stat. § 323A.0204(d).

Here, the district court found that it "is not aware of any item, asset, or debt exactly matching" the description set forth in section 323A.0204(a), and that the "record contains no asset or debt exactly matching" the description established in section 323A.0204(b). The district court also found that "[i]t is doubtful there is much equipment intended or provable by any party to have been . . . solely purchased and used while the partnership was in existence, exclusively for the Partnership." The district court, therefore, determined that the "Partnership was an operating entity" that "used land, facilities, and equipment belonging to others, including partners."

Appellants argue that the district court's decision is erroneous "[a]s a matter of law" because "[p]roperty purchased with partnership funds is partnership property under . . .

MUPA." Appellants then assert that numerous partnership assets, including farmland and equipment, with an appraised value of roughly $4.3 million, were purchased using partnership proceeds. Appellants contend that because these partnership assets were purchased with partnership proceeds, the district court erred in concluding that the partnership did not own any assets.

We disagree. Appellants' argument assumes that the property at issue is partnership property. But the district court found otherwise, and appellants do not challenge the sufficiency of the evidence to support any of the district court's findings. Although appellants' arguments related to this issue make references to the "[e]vidence presented at Trial II," and what that evidence purportedly "established," appellants' challenge related to the evidence at trial is inconsistent with their arguments related to the standard of review, which they claim is de novo since their "Motion for a New Trial is based on fundamental errors of law, including the district court's radical departure from . . . MUPA." In other words, because the district court found that the property at issue is not partnership property, and appellants do not specifically challenge any of these related findings, appellants have not met their burden to show that the district court erred as a matter of law in applying MUPA to the property at issue.

Moreover, to the extent that appellants do challenge the evidence supporting the district court's findings that the property at issue is not partnership property, appellants are unable to establish that a reversal is warranted. As respondents point out, the district court made numerous findings that the property at issue is not partnership property. For example, the district court found that appellants failed to show that any of the "titled equipment at

issue" was purchased with partnership profits because the "record suggests that these assets were purchased with [the] Schaffers' personal debts." The district court also found that appellants failed to show that any of the land at issue was purchased with partnership profits because the record suggests that the land was purchased with the Schaffers' personal debts, and there is "no indication on the title that any interest was taken by [appellants], . . . or the Partnership." And the district court found that appellants' expert "did not testify that any specific asset was purchased with Partnership profits." These findings are supported by the record. Although appellants contend that evidence at Trial II "established that proceeds from the Partnership were used to purchase" certain property "during the course of the Partnership," appellants fail to point to any evidence supporting this assertion.

Furthermore, as stated above, "[p]artners may change their statutory and common law duties by incorporating such changes into their partnership agreement, as long as the major purpose of the change is not to shield wrongdoers from liability." *L-tryptophan Cases*, 518 N.W.2d at 620 (recognizing that "[p]artners are free to vary many aspects of their relationship but they are not free to destroy its fiduciary character"). Here, the district court found that the parties had a partnership agreement by implication, and that the implied terms of the agreement were that "all parties were free to acquire assets outside of the Partnership, even if those assets were used by the Partnership." Appellants do not challenge the district court's findings related to the parties' agreement, and they make no argument, nor can they establish, that the parties' partnership agreement is contrary to law. Therefore, appellants cannot show that the district court erred in determining that the property at issue was not partnership property.

B. Rent for land used by the partnership

Appellants also challenge the district court's decision to award the Schaffers the rental value of their contributions to the partnership. Specifically, the district court's order states: "[The] Schaffers would contribute the use of their land, facilities, and equipment [to the partnership]. The Partnership owes [the] Schaffers for the rental value of their land, facilities, and equipment in the calculation of any Partnership profit or loss."

Appellants assert that "[i]f an asset was 'contributed' to the Partnership, then [absent some written agreement to the contrary] that asset became Partnership property." Appellants also assert that the "record is wholly devoid of any rental agreement that entitled [the Schaffers] to collect rents from the Partnership for the use of land or equipment titled in [the Schaffers'] names." As such, appellants argue that the "district court's determination that [the Schaffers] are entitled to collect rent from the Partnership for the use of land, facilities, and equipment . . . in the absence of any rental agreement, is directly contrary to law."

We are not persuaded. Appellants fail to cite any binding precedent demonstrating that the district court's decision is legally erroneous. Moreover, the partnership dissolution process is equitable in nature. *See Maus*, 669 N.W.2d at 42 (recognizing that the division of partnership property is an equitable decision). And a district court sitting in equity has wide discretion to fashion a remedy based on the unique facts of a particular case. *Gabler v. Fedoruk*, 756 N.W.2d 725, 730 (Minn. App. 2008).

Here, the district court was placed in the unenviable position of deciphering the terms of a partnership agreement involving a large-scale farming operation where none of

the terms of the partnership were placed in writing. In performing this task, the district court considered both parties' claims that they made contributions to the partnership and that they are entitled to compensation for those contributions. The district court then crafted an order that allowed both the Schaffers *and Beskau and Haler* to collect the rental value of their contributions. But because the district court found that the Schaffers' contributions to the partnership were much more significant than Beskau and Haler's contributions, the rental value of the Schaffers' contributions is much higher than the rental value of Beskau and Haler's contributions. The district court's decision is supported by the court's numerous findings and is equitable in light of the Schaffers' significant contributions to the partnership. And appellants are unable to show that the decision to award the Schaffers rent for their partnership contributions runs afoul with MUPA. Therefore, under the unique facts of this case, we conclude that the district court did not abuse its discretion in awarding the Schaffers rent for their contributions to the partnership.

C. Line of credit as a capital contribution rather than a partnership liability

Next, appellants challenge the district court's decision to award respondents a credit toward their capital accounts for the line of credit the partnership utilized during its operations. Specifically, appellants argue that the VSBLOC is a partnership liability as a matter of law because it was used for partnership purposes and replenished with partnership revenues. Appellants contend that because there "is no evidence in the record which establishes that the parties agreed to alter the default provisions of . . . MUPA," the district court erred in determining that the VSBLOC was not partnership debt. We disagree.

"It is settled law that partners are jointly and severally liable for the debts chargeable to the partnership." *Bedow v. Watkins*, 552 N.W.2d 543, 546-47 (Minn. 1996). But as respondents point out, appellants "misread the order as to the lines of credit" because the district court "found that there is no Partnership line of credit." In other words, appellants' argument assumes that the VSBLOC is a partnership liability when the district court found otherwise. Although respondents agree that appellants' legal arguments are "valid," respondents contend that these arguments fail because these "valid legal principles act only upon debts which are proven to be partnership debts," and the district court here explicitly found that there are no partnership debts.

Respondents' position is supported by the district court's order. Indeed, the district court found that the VSBLOC was (1) "in place since 2002"; (2) "in the name of all four" respondents; (3) "signed by the four [respondents] and secured by a mortgage over land by [William] and Carol Schaffer"; and (4) "in place before and after the Partnership." In addition, the district court found that respondents were debtors and signers on the VSBLOC, and the loan documents named the respondents individually as debtors. And the district court found that the VSBLOC was not acquired in the name of the partnership and was never transferred to Beskau and Haler despite the Schaffers' repeated invitations for Beskau and Haler to take liability for it. Thus, the district court determined that the VSBLOC is not within the partnership and is not partnership debt because appellants failed to meet their burden of proving that the VSBLOC is a partnership asset or partnership debt. And, in fact, the district court found that appellants "have not met their burden of proving that any debt pertaining to assets purchased during the Partnership is a Partnership debt."

Moreover, as respondents point out, the district court's findings that there was no partnership debt is supported by additional findings, including: (1) "there was no talk of debt at the pre-formation meetings"; (2) Beskau and Haler recounted their debts many times to judgment creditors and banks, even under oath, and made no mention of any such debt; (3) Beskau and Haler "did not consider any of the debt at issue to be Partnership debt"; (4) Beskau and Haler "did not consider the VSBLOC or other debt in the name of [respondents] to be Partnership debt"; (5) the parties understood and intended that the VSBLOC debt "be separate debt of the four [respondents] and not Partnership debt"; and (6) "[t]he conduct and course of dealing of the parties shows their understanding and intent that [the alleged] debts be separate debt of the four [respondents] and not Partnership debt." Appellants do not challenge any of these findings. And to the extent that appellants' expert testified that the VSBLOC was used for partnership purposes and replenished with partnership revenues, the district court did not find the expert's testimony to be credible and, instead, found that the evidence presented by respondents on this issue to be credible. The finder of fact is in the best position to weigh the evidence and we defer to the district court's credibility determinations. *See Klingelhutz*, 927 N.W.2d at 755. Thus, the district court did not err in finding that the VSBLOC, or any other alleged debts, were partnership debts.

Appellants further argue that because the VSBLOC was in the name of at least one of the partners, and was paid down with partnership revenues, it "must be apportioned to every partner equally" and cannot "be credited to any individual partner's capital account." But there is no finding that the partnership used respondents' line of credit. Instead, the

district court found that respondents used the VSBLOC to make *contributions* to the partnership. As the district court found: "All of [the partnership's] expenses were paid out of the VSBLOC. All of these expenses were contributions made by [the] Schaffers." Therefore, the district court did not conclude that respondents are entitled to a capital credit for the partnership's use of respondents' line of credit.

Finally, appellants argue at length in their reply brief that "[i]f allowed to stand, the district court's decision would result in a grossly inequitable result." But appellants did not argue the inequities of the district court's decision in their main brief. It is well settled that issues not raised or argued in an appellant's principal brief cannot be raised in a reply brief. *Moorhead Econ. Dev. Auth. v. Anda*, 789 N.W.2d 860, 887 (Minn. 2010); *see* Minn. R. Civ. App. P. 128.02, subd. 3 (providing that an appellant's reply brief must be confined to a new matter raised in the brief of the respondent). Thus, appellants' argument related to the inequities of the district court's order is not properly before us.

Moreover, as discussed above, appellants cannot establish that the district court's order is inequitable. The district court's order, which is 69 pages long, contains 255 findings of fact, and 32 conclusions of law, thoroughly and thoughtfully analyzed the extensive amount of evidence presented, as well as the applicable law. The evidence presented established the unusual facts and circumstances of this case, and reflected the significant contributions made by the Schaffers, which are contrasted by the lack of contributions made by Beskau and Haler. The district court then weighed the equities and reached a conclusion that is consistent with MUPA and the evidence presented at trial. In light of the evidence presented, the district court's order is supported by the record and

reflects an appropriate exercise of its equitable authority under the circumstances. Accordingly, appellants cannot establish that the district court abused its discretion in denying their motion for a new trial.

Affirmed.