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

**STATE OF MINNESOTA
IN COURT OF APPEALS
A24-1028**

In re the Marriage of:

Melissa Sydney Reed Lesch, petitioner,
Respondent,

vs.

John Patrick Lesch,
Appellant.

**Filed April 21, 2025
Affirmed in part, reversed in part, and remanded
Johnson, Judge**

Ramsey County District Court
File No. 62-FA-20-1890

Sam Khorroosi, Jessica Sampson, Khorroosi Law Office, P.A., St. Louis Park, Minnesota
(for respondent)

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appellant)

Considered and decided by Johnson, Presiding Judge; Ede, Judge; and Reilly,
Judge.*

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

NONPRECEDENTIAL OPINION

JOHNSON, Judge

This appeal arises from the dissolution of an 11-year-long marriage and is concerned primarily with the district court's division of the parties' assets and liabilities. We affirm in part, reverse in part, and remand for further proceedings on certain issues, as described below.

FACTS

Melissa Sydney Reed Lesch and John Patrick Lesch were married in September 2012. Before they were married, they entered into an antenuptial agreement “to limit the other’s right to share in” each party’s nonmarital property “in the event of dissolution of the marriage.”

In December 2020, Melissa moved out of the marital home and petitioned for dissolution of the marriage. John filed an answer and a counter-petition the following month. Over the next two years, the parties exchanged discovery and attended three pre-trial hearings focused on child support, parenting time, and the appointment of a custody and parenting-time evaluator. In March 2023, the district court bifurcated the issues, scheduled a trial for the following month on child custody and parenting time, and deferred a trial on financial issues until a later date. Before the second phase of trial, the parties agreed that their antenuptial agreement is valid and enforceable.

The financial issues were tried on two days in June 2023. The parties introduced more than 200 exhibits. Each party testified and called two additional witnesses. The district court filed its judgment and decree in November 2023. The district court divided

the parties' marital assets and liabilities, ordered John to transfer to Melissa approximately \$81,000 of funds in his pre-tax retirement accounts, and ordered John to pay Melissa \$109,494 to equalize the awards of other marital property. In addition, the district court granted Melissa's motion for conduct-based attorney fees. John filed a motion for amended findings or a new trial. In April 2024, the district court denied John's post-trial motion and ordered John to pay Melissa \$18,000 in conduct-based attorney fees. John appeals.

DECISION

John argues that the district court erred in numerous ways. In his principal brief, he identifies eight issues. We address each issue in turn, in the order in which he presents them.

Before addressing the issues raised, we note that most of the parties' arguments relate to the district court's interpretation and application of the parties' antenuptial agreement. In section 4 of the antenuptial agreement, which is captioned "Rights During Marriage," the parties agreed, among other things, that "[d]uring the marriage of the parties, . . . neither party shall acquire (by reason of the contemplated marriage) for himself or herself, his or her heirs, assigns or creditors, any interest in, or right to control, the other's nonmarital property." In section 5, which is captioned "Rights Upon Dissolution or Separation," the parties agreed, among other things, that, "[u]pon the divorce or legal separation of the parties . . . , each party shall be released from all claims of the other party against his or her nonmarital property as defined in this agreement." The parties also agreed that, upon a dissolution of the marriage, each of them "shall be entitled to an equal division of all marital property acquired during their marriage." When entering into the

antenuptial agreement, the parties made disclosures of their respective assets and income in two schedules, which are referenced in the antenuptial agreement.

This court applies a *de novo* standard of review to a district court's interpretation and application of an unambiguous contract. *Denelsbeck v. Wells Fargo & Co.*, 666 N.W.2d 339, 346 (Minn. 2003). We apply a clear-error standard of review to a district court's findings of fact. *Tornstrom v. Tornstrom*, 887 N.W.2d 680, 686 (Minn. App. 2016), *rev. denied* (Minn. Feb. 14, 2017).

I. John's Retirement Accounts

John first argues that the district court erred by finding that all funds in two of his retirement accounts are marital property.

John has two retirement accounts with the Minnesota State Retirement System (MSRS), both of which appear to be defined-contribution, tax-deferred accounts. John disclosed both accounts when entering into the antenuptial agreement. John testified that he made additional contributions to the two MSRS retirement accounts during the marriage. On the valuation date, the two accounts had a combined value of \$269,265.

In making its property award, which is reflected in a spreadsheet-like financial statement, the district court characterized the full value of John's two MSRS retirement accounts as marital property. The district court found that the total value of all of John's marital retirement assets exceeded the value of Melissa's marital retirement assets by \$163,412. To equalize the awards of marital retirement assets, the district court ordered John to transfer \$81,706 of his MSRS retirement funds to Melissa pursuant to a qualified domestic-relations order (QDRO).

Section 4.F of the antenuptial agreement provides that all property acquired before the marriage, and all appreciation in the value of that property, is nonmarital property. Section 5.B of the antenuptial agreement provides that the value of nonmarital investment accounts that can be traced to contributions made during the marriage is marital property. Accordingly, some of the funds in John's two MSRS retirement accounts are nonmarital property, and some are marital property. John's financial expert submitted a report stating that, based on his tracing, \$187,793 of the combined value of the two MSRS retirement accounts is John's nonmarital property. At oral argument, Melissa's attorney conceded that there is no contrary evidence.

Thus, the district court erred by finding that all funds in John's two MSRS retirement accounts are marital property. Therefore, we reverse that part of the decree and remand the issue to the district court for reconsideration. On remand, the district court shall find that \$187,793 of the funds in John's two MSRS retirement accounts is John's nonmarital property and that \$81,472 of the funds in those two accounts is marital property. The district court then shall recalculate the total value of the parties' marital retirement assets, reconsider the transfer necessary to equally divide marital retirement assets, and revise paragraph 12 of its conclusions of law with respect to the QDRO.

II. Bayard Avenue House

John next argues that the district court erred by finding that all of Melissa's interest in her post-separation home is nonmarital.

Before the parties' marriage, Melissa owned a duplex on Blair Avenue in St. Paul. She lived in one unit and rented out the other unit. Melissa disclosed the Blair Avenue

duplex when entering into the antenuptial agreement. After Melissa and John purchased their marital home in 2012, Melissa rented out both units of the Blair Avenue duplex. In December 2020, Melissa sold the Blair Avenue duplex. Five days before Melissa served John with the dissolution petition, she used the proceeds of the sale of the Blair Avenue duplex to purchase a house on Bayard Avenue. In the decree, the district court found that the Bayard Avenue house is Melissa's nonmarital property and awarded it to her.

John contends that he has a marital interest in the Bayard Avenue house for two reasons. First, he contends that he has a marital interest in the Bayard Avenue house because he had a marital interest in the Blair Avenue duplex due to Melissa's use of rental income received during the marriage to reduce the balance of the loan on the Blair Avenue duplex. John relies on section 4.G.(1) of the antenuptial agreement, which generally defines "marital property" to include "earned income during the marriage including all cash compensation and rental income distributed to her." But that same section expressly excludes from the definition of marital property "all capital gains, income, dividends and appreciation from the investment of Melissa's nonmarital property." Because of that exclusion, rental income Melissa received during the marriage from her nonmarital property is nonmarital in character. Thus, John had no marital interest in the Blair Avenue duplex.

Second, John contends that he has a marital interest in the Bayard Avenue house because Melissa used \$5,000 of marital funds when making a down payment on the Bayard Avenue house. Melissa testified that she did so. Melissa's appellate brief does not respond

to this contention. At oral argument, Melissa's attorney did not dispute that she used \$5,000 of marital funds when purchasing the Bayard Avenue house.

Thus, the district court erred by finding that all of Melissa's interest in the Bayard Avenue house is nonmarital. Therefore, we reverse that part of the decree and remand the issue to the district court for reconsideration. On remand, the district court shall find that \$5,000 of the value of the Bayard Avenue house is marital property and that the remainder of the value of that house is Melissa's nonmarital property. The district court then shall recalculate the total value of marital non-retirement property and reconsider the equalizer payment necessary to equally divide marital non-retirement property.

III. Debts of Others

John next argues that the district court erred by finding that three debts incurred by members of Melissa's family on John and Melissa's behalf are marital liabilities.

First, John argues that the district court erred by including in the parties' marital liabilities two credit-card debts in the amounts of \$3,198 and \$2,687, which were incurred by Melissa's sister. Section 4.E. of the antenuptial agreement provides, "Neither party shall be responsible for or obligated to pay any liability incurred by the other party *except joint debts incurred for marital purposes . . .*" (Emphasis added.) Melissa testified that her sister used her own credit card to purchase, on Melissa's behalf, furniture for the parties' children's bedroom in Melissa's post-separation home on Bayard Avenue. Melissa introduced into evidence credit-card statements showing that these purchases were made within two months of her move to the Bayard Avenue house. In light of this evidence, the district court did not clearly err by finding that Melissa owes a debt to her sister, that the

debt was incurred for expenses associated with the parties' children, and that the debt is a marital liability.

Second, John argues that the district court erred by including in the parties' marital liabilities a debt owed by Melissa's mother. The district court found that Melissa's parents used two home-equity lines of credit (HELOCs) to help the parties purchase their marital home and that the parties promised to use their marital funds to make payments on the HELOCs. John contends that Melissa did not prove that the parties are obligated to pay back Melissa's mother. Melissa introduced e-mail messages from 2018 in which she described to John the amortization schedule for her mother's HELOC, and she testified that she used marital income to make payments toward the HELOC. The district court specifically found Melissa's testimony on this issue to be credible. In light of Melissa's evidence, the district court did not clearly err by finding that the parties owe a debt to Melissa's mother and that the debt is a marital liability.

Thus, the district court did not err by finding that three debts of members of Melissa's family are marital liabilities.

IV. John's Debts

John next argues that the district court erred by not finding that several debts he owes are marital liabilities. None of the debts identified by John were included in the financial statement attached to the decree. John raised each of these debts in his post-trial motion, but the district court declined to amend its findings.

First, John contends that he incurred marital debt to purchase an engagement ring for Melissa. John asserts that he used marital funds to pay down some of the debt. Again,

section 4.E. of the antenuptial agreement provides, “Neither party shall be responsible for or obligated to pay any liability incurred by the other party *except joint debts incurred for marital purposes . . .*” (Emphasis added.) A debt incurred by John before the marriage to purchase an engagement ring is not a “joint debt” but, rather, a debt incurred only by him for purposes of making a conditional gift to Melissa. *See Benassi v. Back & Neck Pain Clinic, Inc.*, 629 N.W.2d 475, 484 (Minn. App. 2001) (concluding that engagement ring is conditional gift given in contemplation of marriage), *rev. denied* (Minn. Sept. 11, 2001).

Second, John contends that he incurred marital debt on two credit cards, one belonging to his former law firm, of which he was a partner, and one belonging to him personally. John introduced a credit-card statement showing that the first of these cards was issued to Lesch & Duren LLP. John’s evidence tends to prove that the debt is owed by his former law firm and is not a joint debt incurred for marital purposes.

John also introduced a credit-card statement showing a balance of \$7,091 on his personal Citi Preferred card. John included this alleged debt in his proposed division of marital property. The district court did not make any specific findings about or otherwise account for this debt, either in the decree or in its order denying John’s post-trial motion.

Third, John contends that he has two outstanding marital debts secured by two vehicles. The first is a debt in the amount of \$7,743, which is secured by a 2016 Jeep Wrangler. John introduced exhibits showing a balance of \$7,743 on that debt and a value of \$29,995 for the Jeep Wrangler. The district court found that the Jeep Wrangler is valued at \$20,989 and is marital property and awarded it to John. This award considers both the value of the vehicle and the debt secured by the vehicle.

The second vehicle-related debt is an alleged loan secured by a 2018 Can Am Outlander. John introduced a statement showing a balance of \$5,247 on that loan. John included this debt in his proposed division of marital property. The district court did not make any findings about or otherwise account for this debt, either in the decree or in its order denying John's post-trial motion.

We conclude that the district court did not err by excluding from its findings of marital liabilities the debts identified by John relating to the engagement ring, the credit card issued to his former law firm, and the loan secured by the Jeep Wrangler. But the district court erred by not making any findings concerning the alleged debts relating to the Citi Preferred credit card and the 2018 Can Am Outlander. *See* Minn. Stat. § 518.58, subd. 1 (2024) (providing that district court must “make[] findings regarding the division of property”); *Dick v. Dick*, 438 N.W.2d 435, 437 (Minn. App. 1989) (stating that district court must make “findings which indicate the rationale of the trial court in making its award”); *Vinnes v. Vinnes*, 384 N.W.2d 589, 592 (Minn. App. 1986) (stating that findings must be “sufficient to allow appellate review”). Therefore, we reverse those parts of the decree and remand those issues to the district court for reconsideration. On remand, the district court shall make the necessary findings concerning the alleged debts and, if the debts are found to be marital liabilities, revise the division of marital liabilities accordingly.

V. Joint Tax Liability

John next argues that the district court erred by not giving him a credit for the fact that his reporting of a business loss on the parties' 2020 joint tax return offset a capital gain

on the sale of Melissa's Blair Avenue duplex, thereby reducing the parties' joint tax liability.

As explained in the written report of John's financial expert, John had a nonmarital ownership interest in an LLC before the marriage. He increased his ownership interest during the marriage, using both nonmarital and marital funds. In 2020, the LLC distributed losses to him in the amount of \$81,624. That loss partially offset a capital gain of \$172,590 on the sale of Melissa's Blair Avenue duplex, thereby reducing the parties' joint tax liability by \$32,301.

We assume that John was required by law to report his loss in 2020 rather than in a future year. Reporting the loss presumably benefitted both Melissa and him by reducing the parties' joint tax liability. Most importantly, John does not identify any particular provision of the antenuptial agreement that applies to this issue. In these circumstances, we cannot conclude that the district court erred by not giving John credit, at Melissa's expense, for the reduction in the parties' marital tax liability arising from John's business loss.

VI. John's Attorney-Fee Debt

John next argues that the district erred by finding that attorney fees he incurred in defending a defamation lawsuit are a nonmarital liability. *See Olson v. Lesch*, 943 N.W.2d 648 (Minn. 2020).

The district court found that John incurred \$82,500 in attorney fees to defend against the defamation lawsuit and that he used marital funds to pay \$43,756 of those fees. The

district court found that the fees “were not incurred to benefit the marriage” and, thus, that debt was a nonmarital liability.

Again, section 4.E. of the antenuptial agreement provides, “Neither party shall be responsible for or obligated to pay any liability incurred by the other party *except joint debts incurred for marital purposes . . .*” (Emphasis added.) Melissa testified that some of the attorney-fee debt was paid using marital funds. John testified that he used a credit card in Melissa’s name to pay some of these fees. The evidence includes a ledger showing that, between 2018 and the valuation date, the parties spent \$43,756 on attorney fees relating to the defamation lawsuit.

Thus, the district court did not err by finding that the attorney-fee debt John incurred in defending against the defamation lawsuit was nonmarital and by awarding half of the marital funds spent to Melissa.

VII. Conduct-Based Attorney Fees

John next argues that the district court erred by awarding Melissa conduct-based attorney fees in the amount of \$18,000.

Melissa requested reimbursement of some of her attorney fees on the ground that John unnecessarily prolonged the length and expense of the proceeding by denying the existence of the antenuptial agreement despite possessing a copy of it, by not disclosing his copy of it, and by challenging the validity and enforceability of it. In the early stages of the case, there was some uncertainty as to whether the parties had entered into an antenuptial agreement and, if so, the terms of the agreement. When Melissa petitioned for dissolution, she filed with the court a copy of the parties’ antenuptial agreement that was

signed only by her. In March 2023, Melissa found and produced a copy signed by both parties, which differed in some ways from the copy she had attached to the petition. Melissa testified in her deposition that she believed the antenuptial agreement that she attached to the petition had been executed by both parties and was unaware at that time of any questions concerning its validity. In contrast, John testified in his deposition that he did not know whether he had signed an antenuptial agreement or whether an agreement had ever been drafted. In May 2023, John filed a motion challenging the validity and enforceability of the antenuptial agreements produced by Melissa and requested an order that “no valid antenuptial agreement has been submitted to the court by either party.” John later agreed that the fully executed copy of the antenuptial agreement that Melissa produced at her deposition is valid and enforceable.

The issue arose again on the second day of trial. Melissa introduced e-mail messages between John and the MSRS. The messages show that, in August 2021, John provided the MSRS with a copy of the antenuptial agreement in an attempt to withdraw funds from his retirement accounts. The district court stated on the record that John appeared to have been in possession of the antenuptial agreement in August 2021, even though he testified in his deposition in March 2023 that he did not possess a copy. The district court also noted that the antenuptial agreement that John provided to the MSRS appears to have been altered. Based on these facts, the district court made an adverse inference that John had been dishonest about the antenuptial agreement, and the district court left the record open to allow him to rebut the adverse inference. John later filed an affidavit in which he stated that “he did not have an independent recollection of all that

happened with respect to communications with the MSRS in August 2021” and that he “did not” alter the antenuptial agreement.

In the decree, the district court granted Melissa’s motion for conduct-based attorney fees after finding that John’s “behavior warrants fees” because he “misrepresented facts” to the courts and “fraudulently altered documents in order to obtain access to assets during the dissolution, while denying he had a fully executed agreement.” The district court also found that John’s “bad faith conduct was directly responsible for the bifurcation of this trial” and other proceedings between the two phases of trial.

In general, a district court has discretion to award “additional fees, costs, and disbursements against a party who unreasonably contributes to the length or expense of the proceeding.” Minn. Stat. § 518.14, subd. 1a (2024). An award of conduct-based attorney fees is appropriate if a party takes positions that are “duplicitous and disingenuous and have had the effect of further delaying distribution, lengthening litigation, and increasing the expense of these proceedings.” *Redmond v. Redmond*, 594 N.W.2d 272, 276 (Minn. App. 1999). We apply an abuse-of-discretion standard of review to an award of conduct-based attorney fees. *Sanvik v. Sanvik*, 850 N.W.2d 732, 737 (Minn. App. 2014).

John contends that the district court erred on the ground that, in the antenuptial agreement, the parties expressly waived their right to seek attorney fees from each other. Section 5.F of the antenuptial agreement states that “each party waives the right to claim attorney fees and costs from the other.”

In denying John’s post-trial motion on this issue, the district court cited this court’s opinion in *Hill v. Hill*, 356 N.W.2d 49 (Minn. App. 1984), *rev. denied* (Minn. Feb. 19,

1985). In that case, we affirmed an award of need-based attorney fees despite the fact that the parties had waived their right to seek attorney fees in an antenuptial agreement. *Id.* at 58. In reaching that conclusion, we reasoned that the fee award was “necessary to ensure substantial justice.” *Id.* The *Hill* opinion authorizes the award of conduct-based attorney fees in the circumstances of this case. Given the particular facts of this case, the district court did not abuse its discretion by concluding that an award of conduct-based attorney fees is appropriate.

Thus, the district court did not err by granting Melissa’s motion for conduct-based attorney fees in the amount of \$18,000.

VIII. Motion for New Trial

John last argues that the district court erred by denying his motion for a new trial. The district court denied the motion after observing that John had “failed to state any compelling grounds for a new trial” other than the fact that he “does not agree with the Court’s decision.” John’s arguments on appeal are similar in nature. He reiterates the arguments we have discussed above, and he makes very general assertions that the district court did not properly consider his evidence and arguments. We have reviewed each of his specific arguments, and we have granted relief on three of them. *See supra* parts I, II, IV. We generally apply an abuse-of-discretion standard of review to a district court’s denial of a new-trial motion. *Christie v. Estate of Christie*, 911 N.W.2d 833, 838 (Minn. 2018). In this case, the district court did not abuse its discretion by denying John’s motion for a new trial.

Affirmed in part, reversed in part, and remanded.