STATE OF MINNESOTA
IN COURT OF APPEALS
A24-1421

In re the Trust of the Thomas Karakash Family Trust
and the Ann Karakash Family Trust.

Filed August 4, 2025
Affirmed in part, reversed in part, and remanded
Larson, Judge

St. Louis County District Court
File No. 69HI-CV-20-757

Steven M. Sitek, Sitek Law, LLC, Minneapolis, Minnesota (for appellant Peter J. Karakash)

Kelly M. Klun, Klun Law Firm, P.A., Ely, Minnesota (for respondent John Karakash)

Teresa Felmlee, Rochester, Minnesota (self-represented respondent)

Considered and decided by Bratvold, Presiding Judge; Larson, Judge; and Reilly, Judge.[*]

NONPRECEDENTIAL OPINION

LARSON, Judge

This appeal arises from litigation over the Karakash Family Trust (the Trust).[1] Under the Trust's terms, Thomas and Ann Karakash's three children, appellant Peter

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

[1] The Karakash Family Trust began as two separate trusts: the Thomas Karakash Family Trust and the Ann Karakash Family Trust. In 2017, these trusts merged. We refer to the combined trust collectively as the Karakash Family Trust or the Trust.

Karakash, respondent John Karakash, and respondent Teresa Felmlee, are the co-trustees and sole beneficiaries. The Trust's sole asset is all the shares of an S-corporation[2] that operates Retreat Lodge Inc. John and his spouse, Shaun Karakash, manage and operate Retreat Lodge.[3] In September 2020, Peter filed this action in his capacity as a beneficiary, alleging that John and Teresa breached their fiduciary duties to Peter in their administration of the Trust and operation of Retreat Lodge. Following a bench trial, the district court denied Peter's claims and filed an order to show cause why Peter should not be sanctioned for engaging in frivolous litigation. Peter moved for a new trial, arguing the district court made legal errors and findings unsupported by the record. Peter also filed a motion to remove the district court judge. The district court then sanctioned Peter in the amount of $25,000 and denied both motions.

On appeal, Peter challenges the district court's posttrial decisions to: (1) deny his motion for a new trial; (2) impose sanctions; and (3) deny the motion to remove the judge. Because the district court did not abuse its discretion when it denied the motion to remove, we affirm in part. But because the district court abused its discretion when it denied Peter's motion for a new trial and imposed sanctions, we reverse and remand for further proceedings not inconsistent with this opinion.

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[2] An S-corporation "is subject to a pass-through taxation system, under which its earnings are not taxed at the corporate level. Rather, corporate profits are deemed to pass through directly to the shareholders on a pro rata basis and are reported on the shareholders' individual tax returns." *Haefele v. Haefele*, 837 N.W.2d 703, 705 (Minn. 2013) (citation omitted).

[3] Because some of the parties and other individuals involved in this appeal share a surname, we hereinafter use first names.

FACTS

A. Formation of the Trust and S-corporation

Retreat Lodge is a resort property located on Lake Vermillion in St. Louis County, Minnesota. It occupies roughly 25 acres of land and spans 300 feet of shoreline. Retreat Lodge offers cabin rentals and recreational activities to guests from May to October. Thomas and Ann purchased Retreat Lodge in 1972 and established it as an S-corporation in 1996. Thomas and Ann were the original president and vice president of the S-corporation.

In May 1996, Thomas and Ann established individual trusts, naming Peter, John, and Teresa as co-trustees and beneficiaries. Each trust owned one-half of the S-corporation's shares.

In 2004, John and Shaun began managing Retreat Lodge as a full-time, year-round position, and received salaries and benefits. In November 2013, Thomas and Ann stepped down from their respective roles in the S-corporation. In their stead, John was appointed president, Teresa was appointed vice president, and Shaun was appointed secretary and treasurer.

Ann died in December 2013, and Thomas died in June 2017. The individual trusts merged into the Karakash Family Trust upon Thomas's death. At the time of trial, the sole asset in the Trust was 100% of the S-corporation's shares.

B. Prior Actions

Peter has initiated litigation against respondents multiple times prior to the present case. During the current litigation, the district court took judicial notice of two prior actions, which are described below.

In April 2016, Peter brought an action against respondents in his capacity as a co-trustee, seeking an accounting of Ann's individual trust. In April 2017, the district court dismissed the action, reasoning that there was "no basis to grant the petition given the legal right of access afforded to [Peter] as co-trustee." The district court further noted that there was no evidence that respondents engaged in impropriety and that all relevant financial records had been provided to Peter.

In March 2019, Peter filed an emergency petition for writ of mandamus requesting access to Retreat Lodge's ledgers under Minn. Stat. § 302A.463 (2024), which requires corporations to furnish financial statements "[u]pon written request by a shareholder." The district court denied Peter's petition in a May 2019 order. In pertinent part, the district court determined that John had provided Peter with tax returns, and that this satisfied John's obligation under Minn. Stat. § 302A.463 to "furnish certain financial documents" in response to a written request by a shareholder. The district court also noted that the record contained evidence that Peter was given "liberal access to financial documents and records of the business and trusts and . . . unrestricted access to meet and question" Retreat Lodge's accounting firm.

C. Present Action

In September 2020, Peter initiated this lawsuit in his capacity as a beneficiary against respondents in their capacities as co-trustees. As relevant to this appeal, Peter alleged that respondents breached their fiduciary duties to Peter when they violated the duty of loyalty, duty of impartiality, duty of prudent administration, and duty to inform and report. Peter requested, among other forms of relief, that the district court direct respondents "to make a full and complete accounting" of the Trust's assets for the preceding six-year period, reimburse the Trust for respondents' alleged self-dealing, and provide Peter "in his capacity as a beneficiary . . . full rights to use the Trust['s] assets."

1. Answer and Motion to Dismiss

John filed an answer and a counterclaim. In his answer, John pointed to the previous actions Peter initiated that related to the Trust's administration wherein the district court found that Peter "ha[d] been provided with a full and proper accounting." John also asserted res judicata as an affirmative defense and filed a motion to dismiss for failure to state a claim upon which relief can be granted. *See* Minn. R. Civ. P. 12.02(e). In May 2021, the district court denied John's motion to dismiss and determined that res judicata did not apply.[4] In ruling on res judicata, the district court noted that this was the first time

[4] Following the decision on the motion to dismiss, this case was reassigned to a different judge.

Peter had brought claims against respondents in his capacity as a beneficiary, such that the parties in this action were not identical to the parties in the prior actions.

2. Discovery

In October 2021, Peter filed a motion to compel discovery. In his accompanying memorandum, Peter stated that respondents had not produced any documents responsive to his discovery requests. John opposed the motion, arguing the only documents relevant to the Trust were Retreat Lodge's tax returns, which had been provided.

In November 2021, Peter served a subpoena on the Trust's accounting firm, demanding a deposition and the production of certain documents. John filed a motion to quash the subpoena, arguing that discovery had closed, the subpoena sought irrelevant and privileged documents, and the subpoena was inappropriate given that the motion to compel had not yet been decided. At a December 2021 hearing, Peter indicated that the accounting firm had responded and provided the requested documents. And, following the hearing, both parties filed correspondence with the district court indicating that John had agreed to provide certain documents. Accordingly, the district court filed a March 2022 order deferring its ruling on the motion to compel.

In July 2023, Peter filed correspondence with the district court explaining that John continued to be noncompliant with discovery. Following a discovery conference, the district court issued an order directing John to produce certain documents. In August 2023, Peter filed additional correspondence with the district court, again contending that John had failed to comply with discovery. The district court issued an order directing John to produce the requested documents. In September 2023, Peter filed further correspondence with the district court, again contending that John had failed to comply with discovery and requesting that the district court order John to produce certain documents. John filed responsive correspondence, arguing that the requested documents were outside of the scope of authorized discovery. John ultimately produced nearly 3,000 pages of documents within a month before trial.

3. Bench Trial

A bench trial took place on November 6-7, 2023. The district court heard testimony from Teresa, Shaun, John, Peter, and an accountant from the Trust's accounting firm. Evidence was elicited at the trial regarding: (1) respondents' use of Retreat Lodge's funds; (2) Peter's access to financial information; and (3) Peter's ability to use the Retreat Lodge property. The following summarizes the evidence submitted in those three areas and is viewed in the light most favorable to the district court's decision. *See Woehrle v. City of Mankato*, 647 N.W.2d 549, 551 (Minn. App. 2002) (noting that, when reviewing a motion for a new trial, we view the evidence in a light most favorable to the verdict), *rev. denied* (Minn. Sept. 17, 2002).

The following evidence was offered regarding respondents' use of Retreat Lodge's—and, therefore, the Trust's—funds. Peter offered as an exhibit a "beneficial-gains summary" prepared from the nearly 3,000 pages of documents respondents disclosed within a month before trial. The beneficial-gains summary summarized documentation showing that respondents used Retreat Lodge's funds to pay for meals and entertainment, hotel stays, fishing tournament fees, car insurance, and clothing, among other items. The accountant agreed that many of these expenses were "necessary and ordinary business expense[s]" and therefore tax-deductible under Internal Revenue Service (IRS) standards. The accountant described other expenses in the beneficial-gains summary as "de minimis employee gift[s]," again applying an IRS tax standard that allows "employees [to] receive a certain gift from the entity that's deemed appropriate as being de minimis." Teresa, Shaun, and John generally testified to their belief that the expenses in the beneficial-gains summary were appropriate. But Shaun admitted that she occasionally made personal purchases with Retreat Lodge's funds. And when asked whether he keeps the Trust's property separate from his personal property, John expressed that "it's tough to divide," especially during the summer, because operating Retreat Lodge is "a lifestyle."

The following evidence was offered regarding Peter's access to Retreat Lodge's financial information. Peter testified that, when he attended trustee meetings, respondents refused to discuss Retreat Lodge's financial information with him. Peter also testified that respondents either ignored his requests for an accounting or told him to pay for an accounting himself. Peter described respondents as directing him to go to the Trust's accounting firm to review Retreat Lodge's financial information. But when he did so, the staff either showed him minimally useful information, such as tax returns or "a ledger that ha[d] single line items on it," or did not have the information he sought. Peter confirmed that he had received Retreat Lodge's tax returns for 2016 through 2020. Teresa described her view that Peter is only entitled to Retreat Lodge's tax returns and explained that she, otherwise, denies his requests for financial information. John likewise testified that Peter only has access to Retreat Lodge's tax returns and is, otherwise, denied access to Retreat Lodge's financial information.

The following testimony was elicited regarding Peter's ability to use Retreat Lodge. Peter testified that he had not stayed at Retreat Lodge since 2012 and that his requests to do so have either been rejected or met with no response. Teresa admitted that Peter is not permitted to use the lake home, which doubles as Retreat Lodge's office, "because of all the angst that is between the family." And John likewise testified that Peter cannot currently stay at Retreat Lodge, but Teresa can.

At the end of trial, the district court instructed the parties to submit posttrial written memoranda. In his posttrial memorandum, Peter focused on his role as a beneficiary and made specific arguments about how the record evidence demonstrated that respondents, as co-trustees, had violated their fiduciary duties, including the duty of loyalty, duty of impartiality, duty of prudent administration, and duty to inform and report. John's posttrial memorandum asserted that respondents had administered the Trust in all the beneficiaries' best interests and in accordance with Ann's and Thomas's intent.

In a March 2024 order, the district court denied Peter's breach-of-fiduciary-duty claims.[5] When deciding Peter's claims with respect to the duty of prudent administration and duty to inform and report, the district court repeatedly referred to respondents' legal obligations to Peter as a co-trustee, rather than as a beneficiary.[6] The district court also

[5] The district court also denied respondents' counterclaim. Respondents do not challenge the district court's decision to deny the counterclaim on appeal.

[6] For example, the district court found: "[Peter] fails in his claim that he has not been provided and had access to all financial records necessary to undertake his duties *as Trustee*"; "[Peter] has been provided beyond . . . what is required for him to carry out his duties *as a Trustee*"; "[Peter] was provided sufficient records . . . to ensure he was allowed to meet his fiduciary duties and perform his work *as Trustee*"; "Peter['s] . . . demands for a full financial audit were not made in good faith and not made as a result of a colorable

failed to make any specific findings of fact or conclusions of law regarding Peter's duty-of-loyalty and duty-of-impartiality claims. Broadly, the district court determined that Peter did "not bring[] the present action as the result of any legitimate claim of a breach of fiduciary duty" and, instead, brought the claim "to harass, intimidate, and frustrate [respondents] and their attempts to effectively administer the Trust and its holdings." The district court also issued an order to show cause against Peter sua sponte, asserting that sanctions may be appropriate because Peter "frivolously asserted claims and unfounded positions."

4. Posttrial

On March 29, 2024, as amended on April 5, 2024, Peter filed a motion for a new trial and a motion to remove the judge.[7] For the new-trial motion, Peter argued the district court reached incorrect legal conclusions when it analyzed his claims in his role as a co-trustee rather than as a beneficiary. Peter also raised numerous factual findings he argued were unsupported by the record. For the motion to remove, Peter argued the judge should remove themself from the case because both the judge and their spouse were social-media "friends" with John's counsel, and the judge's order demonstrated "unwarranted and extreme vitriol towards [Peter]." Peter attached a screenshot of John's counsel's social-media page to support the motion.

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concern he had *as a Trustee*"; and "[Peter] asserted his actions were in furtherance of his duties *as Trustee* even though the clear record demonstrates that is a false assertion." (Emphasis added.)

[7] Peter also brought a motion to change venue, but he does not challenge the district court's decision on that motion on appeal.

The district court held a hearing on the order to show cause on July 9, 2024. Respondents did not take a position at the hearing. Thereafter, the district court imposed a $25,000 sanction against Peter, primarily on the basis that his claims were frivolous. In deciding to sanction Peter, the district court focused on the previous litigation between the parties regarding the administration of the Trust, asserting that Peter "ha[d] continued to pursue litigation of nearly identical claims after previous Courts ha[d] found his claims [were] without merit."

On August 29, 2024, the district court denied Peter's posttrial motions. In its order denying Peter's motion for a new trial, the district court concluded that, based on the evidence received at trial, respondents did not breach their fiduciary duties. The district court also determined that, notwithstanding whether its March 2024 order "referred to [Peter] as a Trustee or a Beneficiary, . . . [Peter] was provided with more than sufficient financial data." In denying Peter's motion to remove, the district court reasoned that any social-media connection between the judge and John's counsel was not sufficient to require disqualification.

Peter appeals.

DECISION

On appeal, Peter challenges the district court's posttrial decisions following the bench trial. Specifically, Peter contests the district court's decisions to: (1) deny his motion for a new trial; (2) sanction Peter; and (3) deny the motion to remove the judge. We address Peter's arguments in turn below.

I.

Peter argues the district court abused its discretion when it denied his motion for a new trial. We review a district court's decision to deny a motion for a new trial for an abuse of discretion. *See Christie v. Est. of Christie*, 911 N.W.2d 833, 838 (Minn. 2018). "A district court abuses its discretion when its decision is based on an erroneous view of the law or is inconsistent with the facts in the record." *In re Otto Bremer Tr.*, 2 N.W.3d 308, 319 (Minn. 2024) (quotation omitted). When applying the abuse-of-discretion standard, we review the district court's factual findings for clear error and its legal determinations de novo. *See Rasmussen v. Two Harbors Fish Co.*, 832 N.W.2d 790, 797 (Minn. 2013).

A district court may grant a party's new-trial motion on any one of seven available grounds, including—as relevant here—where the "decision . . . is not justified by the evidence, or is contrary to law." Minn. R. Civ. P. 59.01(g). When a party files a motion for a new trial following a bench trial, "the [district] court may open the judgment if one has been entered, take additional testimony, amend findings of fact and conclusions of law or make new findings and conclusions, and direct entry of a new judgment." Minn. R. Civ. P. 59.01. The district court must also determine whether the weight of the evidence supported the initial decision. *See Clifford v. Geritom Med, Inc.*, 681 N.W.2d 680, 686 (Minn. 2004) ("[A] motion for a new trial gives a district court the opportunity to correct errors without subjecting the parties to the expense and inconvenience associated with an appeal.").

On appeal, Peter argues the district court abused its discretion when it denied his motion for a new trial because the district court made both legal errors and clearly erroneous factual findings.

A. Legal Errors

Peter asserts that the district court legally erred when it denied the motion for a new trial because it conflated his role as a co-trustee with his role as a beneficiary. Beneficiaries and trustees have distinct roles and duties under Minnesota law. Beneficiaries are individuals who "ha[ve] a present or future beneficial interest in a trust" or who, "in a capacity other than that of trustee, hold[] a power of appointment over trust property." Minn. Stat. § 501C.0103(c) (2024). Trustees are responsible for "prudently manag[ing] trust assets in light of the settlor's intent and the beneficiary's interests." *In re Trs. Created by Hormel*, 504 N.W.2d 505, 512 (Minn. 1993), *rev. denied* (Minn. Oct. 19, 1993). And trustees owe various duties to beneficiaries, including the duty of loyalty, duty of impartiality, duty of prudent administration, and duty to inform and report. *See* Minn. Stat. §§ 501C.0801-.0804, .0813 (2024); *In re Revocable Tr. of Margolis*, 731 N.W.2d 539, 545-46 (Minn. App. 2007). "A violation by a trustee of a duty the trustee owes to a beneficiary is a breach of trust." Minn. Stat. § 501C.1001(a) (2024).

Respondents agree that there is a legal difference between a trustee and a beneficiary. But respondents contend that—because Peter held both roles (co-trustee and beneficiary)—the district court's conflation of the two concepts was not prejudicial. We disagree. When a party holds multiple roles with respect to a trust, the role the plaintiff asserts in the complaint governs the applicable law. For example, in *Warren v. ACOVA,* *Inc.*, we recently concluded that—despite an individual holding multiple roles related to a trust—the individual lacked standing to bring a specific claim because she filed her complaint in her role as a beneficiary. 21 N.W.3d 218, 253 (Minn. App. 2025), *petition for rev. filed* (Minn. May 7, 2025). The same is true for this case—Peter filed his complaint in his capacity as a beneficiary, which determined the scope of the claims that he could allege and the law that applied to those claims.

Accordingly, we agree with Peter that it was a legal error when the district court failed to evaluate his claims based on his role as a beneficiary. Because, for the reasons below, this legal error pervaded the district court's analysis, we conclude the district court abused its discretion when it denied the motion for a new trial on this basis.

1. Duty to Inform and Report

Beginning with the duty to inform and report, trustees owe beneficiaries a duty of full disclosure. *Lund ex rel. Revocable Tr. of Lund v. Lund*, 924 N.W.2d 274, 284 (Minn. App. 2019), *rev. denied* (Minn. Mar. 27, 2019). "It is the trustee's duty to disclose to the beneficiary fully, frankly, and without reservation all facts pertaining to the trust." *Leraan v. Aftenro Soc'y (In re Enger's Will)*, 30 N.W.2d 694, 701 (Minn. 1948). Minnesota law outlines a trustee's duty to inform and report to beneficiaries regarding the administration of the trust:

> A trustee shall keep the qualified beneficiaries of an irrevocable trust reasonably informed about the administration of the trust and of the material facts necessary to protect their interests. Unless unreasonable under the circumstances, a trustee shall promptly respond to a beneficiary's request for information related to the administration of an irrevocable trust.

Minn. Stat. § 501C.0813(a).

Here, the district court's legal conclusions regarding the duty to inform and report show the district court made its determination with a focus on Peter's role as a co-trustee rather than as a beneficiary. The district court concluded:

> 6. [Peter] fails in his claim that he has not been provided and had access to all financial records necessary to undertake his duties *as Trustee*. . . . Further, this information was readily accessible to [Peter] and he did not need his fellow Trustees to provide the information to him.
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> 7. [Peter] has been provided beyond what is required for him to be assured Retreat Lodge is being operated in a prudent and reasonable manner, and of what is required of him to carry out his duties *as a Trustee*.
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> 11. [Peter] was provided sufficient records to account for the Trust's assets, to ensure he was allowed to meet his fiduciary duties and perform his work *as Trustee*, and to ensure the property held by the Trust and the administration of the Trust was all done pursuant to the law and in a financially prudent manner.
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> 28. . . . Most concerning is that [Peter] centered his claims on the allegation that he was deprived financial records and information he needed *as Trustee*, which he knew was not true and would not be supported by the clear and well-documented evidence. . . .
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> 29. [Peter] intentionally asserted frivolous claims that were made in bad faith. He asserted his actions were in furtherance of his duties *as Trustee* even though the clear record demonstrates that is a false assertion.

(Emphasis added.)

Accordingly, the district court legally erred when it decided the duty-to-inform-and-report claim without considering the financial information respondents, as trustees, must provide in response to Peter's reasonable requests as a beneficiary.

2. Duty of Prudent Administration

With regard to the duty of prudent administration, "[a] trustee shall administer the trust as a prudent person would, by considering the purposes, terms, and distribution requirements of the trust and all relevant circumstances." Minn. Stat. § 501C.0804. In doing so, the trustee must "exercise reasonable care, skill, and caution." *Id.*

Here, the district court's legal conclusions regarding the duty of prudent administration again reflect that the district court made its determination with a focus on Peter's role as a co-trustee rather than as a beneficiary. The district court concluded:

> 13. . . . John . . . has allowed the fullest measure of disclosure on the operations of Retreat Lodge and its financial information through the years of his operating it and has complied with all requests for information as required under the law and to ensure the *Trustees* could perform their duty to accurately account for their administration of the Trust. Not acquiescing to the expense and the burden an audit would place on Retreat Lodge – particularly in the absence of any excessive debt or credible allegations of fraud, waste, or mismanagement – was a prudent and informed decision by [respondents].
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> 14. Beyond the unnecessary cost and burden it would place on the business, John . . . made a wise business decision as Peter['s] . . . demands for a full financial audit were not made in good faith and not made as a result of a colorable concern he had *as a Trustee*.

(Emphasis added.)

Accordingly, the district court legally erred when it decided the duty-of-prudent-administration claim without considering Peter's role as a beneficiary, rather than as a co-trustee.

3. Duty of Loyalty

Trustees also owe beneficiaries a duty of loyalty. *Lund*, 924 N.W.2d at 284. The duty of loyalty instructs that "[a] trustee shall not place the trustee's own interests above those of the beneficiaries." Minn. Stat. § 501C.0802(a). "[N]o rule is more fully settled than that which forbids a trustee's dealing with himself in respect to trust property[.]" *Perl v. First & Am. Nat'l Bank (In re Anneke's Tr.)*, 38 N.W.2d 177, 179 (Minn. 1949) (quotation omitted); *see also Janke v. Espenson (In re Janke's Est.)*, 258 N.W. 311, 313 (Minn. 1935) (noting trust assets are not "to be used in developing or furthering [a trustee's] business enterprises"). "[A] trustee cannot purchase or deal in the trust property for his own benefit or on his own behalf, either directly or indirectly." *Malcolmson v. Goodhue Cnty. Nat'l Bank*, 272 N.W. 157, 160 (Minn. 1936). "[T]here is no 'de minimis defense' to whether self-dealing violates the duty of loyalty." *Bremer*, 2 N.W.3d at 320. Beneficiaries need not show fraud to establish a breach of the duty of loyalty stemming from self-dealing and "no excuse can be offered by the trustee to justify such transactions." *Id.* (quotation omitted).

Here, despite Peter's unrebutted evidence regarding the use of Retreat Lodge's funds for John's and Shaun's personal use, the district court did not make any factual findings or legal conclusions regarding the duty of loyalty. Accordingly, the district court legally erred when it failed to decide Peter's duty-of-loyalty claim.

4. Duty of Impartiality

Regarding the duty of impartiality, "[i]f a trust has two or more beneficiaries, the trustee shall administer the trust impartially, giving due regard to the beneficiaries' respective interests." Minn. Stat. § 501C.0803. In other words, trustees must "manage the trust with equal consideration for the interests of all beneficiaries." *In re G.B. Van Dusen Marital Tr.*, 834 N.W.2d 514, 521 (Minn. App. 2013) (quotation omitted), *rev. denied* (Minn. June 26, 2013).

Again, despite Peter's claim that respondents breached the duty of impartiality and uncontradicted testimony that respondents currently exclude Peter from the Retreat Lodge property, the district court failed to make any legal conclusions regarding whether respondents' conduct violated the duty of impartiality to Peter *as a beneficiary*. Accordingly, the district court legally erred when it failed to decide Peter's duty-of-impartiality claim.

5. Conclusion – Legal Errors

For these reasons, we conclude the district court legally erred when it determined that it did not matter whether the district court "referred to [Peter] as a Trustee or Beneficiary." The record shows that, by failing to consider Peter's role as a beneficiary, the district court either applied an incorrect legal standard or failed to consider appropriately alleged claims. On this basis, the district court abused its discretion when it denied his motion for a new trial.

B. Clearly Erroneous Factual Findings

Peter also challenges a number of the district court's factual findings that he argues are clearly erroneous. Broadly, Peter challenges the district court's findings regarding his access to financial information and respondents' alleged improprieties. Peter raised these issues in his motion for a new trial and asserts that the district court abused its discretion when it denied his motion on this basis.

As set forth above, we review the district court's factual findings for clear error. A district court's findings "are clearly erroneous when they are manifestly contrary to the weight of the evidence or not reasonably supported by the evidence as a whole." *In re Civ. Commitment of Kenney*, 963 N.W.2d 214, 221 (Minn. 2021) (quotation omitted); *see also Bremer*, 2 N.W.3d at 319 (applying *Kenney* to a trust case). When reviewing for clear error, we defer to the factfinder's credibility determinations. *Sefkow v. Sefkow*, 427 N.W.2d 203, 210 (Minn. 1988). We also view the evidence in the light most favorable to the district court's findings. *Vangsness v. Vangsness*, 607 N.W.2d 468, 472 (Minn. App. 2000). Indeed, "[a] district court's denial of a new-trial motion must stand unless it is manifestly and palpably contrary to the evidence, viewed in the light most favorable to the verdict." *Woehrle*, 647 N.W.2d at 551 (quotation omitted).

While it is a rare case that we conclude a district court's findings are not reasonably supported by the evidence as a whole, here we agree with Peter that some of the district court's findings are unsupported by the record and, therefore, clearly erroneous. We discuss those findings below.

1. Financial Information

Peter first contends the district court made clearly erroneous findings with respect to his access to financial information. As set forth above, in his role as a beneficiary, Peter was entitled to be kept "reasonably informed about the administration of the trust and of the material facts necessary to protect [his] interest[]." Minn. Stat. § 501C.0813(a). Peter challenges the following findings regarding his access to Retreat Lodge's—and thereby the Trust's—financial information:[8]

> 39. As evidenced in the emails in 2015, [Peter] has been afforded the opportunity to conduct and further inspect or audit the operations, but that he would be responsible for the cost.
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> . . . .

[8] The parties do not argue that there is a legal distinction between the Trust's financial information and Retreat Lodge's financial information. From our independent review, it appears that "[w]hen the assets of a trust include stock . . . in a closely held business entity, many cases have held that beneficiaries of the trust are entitled to information about the business entity, especially when the trustee is an officer or director of the entity or . . . controls the entity." 17 Alan Newman et al., *The Law of Trusts and Trustees* § 962, at 73 (3d ed. 2010); *see also In re Estate of Voice*, 35 Misc. 2d 225, 227 (N.Y. Sur. Ct. 1962) ("Since the trustees control the corporation by reason of the stock held by the trust added to the stock held by them personally, they can be compelled to disclose the details of the corporation's activities. Since an examination of the corporate activities is proper, the production of relevant and material books and records of the corporation upon such examination is also proper." (citations omitted)); *In re Estate of Schlegel*, 16 A.D.2d 745, 745-46 (N.Y. App. Div. 1962) (holding that beneficiary had right to financial information about corporation where trust "contain[ed] over 40% of the stock" in that corporation and one trustee "occupie[d] a dual capacity" as trustee and corporate director). But some courts have reached a different decision. Newman, *supra*, at 74-75. For the purposes of this case, because (1) there is no precedential case law on point; (2) the parties assume that Retreat Lodge's financial information is the Trust's financial information; (3) the record shows that this is a closely held business entity where the Trust's trustees are also officers in the S-corporation, and (4) the record indicates that only Retreat Lodge has any financial information, we conclude that Retreat Lodge's financial records are the Trust's financial records.

> 41. For over, at minimum, ten-plus years, Peter . . . has continually been provided financial information, tax records, and notice of annual Trustee meetings. He also has been provided access and opportunity to obtain additional financial information from Retreat Lodge's accountants to ensure he is afforded the opportunity to inspect and review all documents related to the business operations and its financials.
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> 44. Prior to the present action, Peter . . . was provided extensive financial records, tax records, and operational records of Retreat Lodge and the Trust through prior Court actions. Letters for attorneys at the time were submitted as exhibits in the present matter. The letters discussed the claims and positions at the time and financial records that have or have not been exchanged. The parties all referenced these Court actions at trial in support or defense of their positions and indicated no objection to the Court taking judicial notice of [them].
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> 67. Teresa . . . , through the years, has attempted to provide Peter . . . with the information he requests, and the exhibits received at trial demonstrate her attempts to include Peter . . ., acknowledge his demands, provide him documents, and provide his access to the specific information he requests.
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> 69. Peter . . . was provided more financial information and had access to more financial information than was needed to perform his duties . . . as Trustee. His claims that he did not have the required financial information to act as Trustee or that information was hidden from him are not credible.

The evidence submitted at trial does not support the district court's finding that "Peter . . . has continually been provided financial information." Teresa admitted at trial that she "rejected" Peter's requests for information about Retreat Lodge's operations because "as a Trustee/Beneficiary that is not a concern." She explained that Peter has "no need" for financial information about Retreat Lodge so long as "the land and the buildings are being maintained and the business is thriving." John's testimony likewise indicated that Peter did not have access to Retreat Lodge's financial information, as he described providing Peter with anything more than Retreat Lodge's tax returns as "just a hassle." Indeed, John testified that Peter had been provided only with Retreat Lodge's tax returns since 2015. And although John stated that Peter could have come to Retreat Lodge to review the financial information, John also testified that when Peter did come for that purpose, he refused to give Peter access to "the books." Moreover, Shaun and Teresa both described their view that, since the May 2019 order, Peter was only entitled to Retreat Lodge's tax returns.

Further, Teresa indicated in her testimony that any inadequacies in the information provided to Peter had been cured because Peter was provided extensive financial information as part of "this litigation." But the duty to disclose information to a beneficiary is not triggered by litigation. *See Lund*, 924 N.W.2d at 284. Further, the record reflects that, even during litigation, Peter had to file numerous motions to compel in order to obtain relevant financial information before trial. Thus, the record evidence does not support the district court's findings that Peter has been provided extensive financial information.

2. Alleged Self-Dealing and Lack of Prudent Administration

Peter also contends the district court made clearly erroneous findings regarding respondents' self-dealing and prudent administration of the Trust's assets. As set forth above, "no rule is more fully settled than that which forbids a trustee's dealing with himself in respect to trust property." *Perl*, 38 N.W.2d at 179 (quotation omitted). "[T]here is no 'de minimis defense' to whether self-dealing violates the duty of loyalty." *Bremer*, 2 N.W.3d at 320. Further, a trustee must "administer the trust as a prudent person would, by considering the purposes, terms, and distribution requirements of the trust and all relevant circumstances." Minn. Stat. § 501C.0804. This requires the trustee to "exercise reasonable care, skill, and caution." *Id.*

Peter specifically challenges the following findings:

> 43. Peter . . . has never specifically alleged improprieties or fraud in Retreat Lodge's operations other than the recent examples he provided in Exhibit 37. His general assertion is that his siblings personally benefit from the operations of Retreat Lodge to his and other beneficiaries' detriment. His claims have never been supported with credible factual allegations or even minimal support that any fraud or other improprieties exist. From the previous Court actions Peter . . . brought or was involved in regarding the Trust, Retreat Lodge, and his parents' estate plans, it is evident his real concern is not the operations of Retreat Lodge but rather the manner his parents structured the Trust and the operations of Retreat Lodge.
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> 46. Peter['s] . . . own review of the business records did not reveal an[y] waste, fraud, or misappropriation. It revealed that the business is growing, profitable and acting in accordance with parents' directives and applicable tax laws.

Again, the record does not support the district court's findings that Peter had not provided "even minimal support" to show impropriety and that Peter's review of the business records "did not reveal an[y] waste, fraud, or misappropriation." Peter submitted into evidence the beneficial-gains summary, which categorized respondents' alleged improper uses of Retreat Lodge's funds to pay for personal expenses. Peter then examined the witnesses using this beneficial-gains summary, which elicited Shaun's admission that she occasionally made personal purchases with Retreat Lodge's funds. And when asked about co-mingling the Trust's assets with his personal assets, John expressed that "it's tough to divide," especially during the summer, because operating Retreat Lodge is "a lifestyle." Further, when asked about the expenses listed in the beneficial-gains summary, the accountant testified that the expenses were "necessary and ordinary business expense[s]" or "de minimis employee gift[s]." But, in doing so, the accountant admitted that he was applying IRS tax standards—not trust law.[9] Accordingly, the record evidence does not support the district court's findings that Peter had not provided "even minimal support" to show impropriety and that Peter's review of the business records "did not reveal an[y] waste, fraud, or misappropriation."

3. Exclusion from Retreat Lodge

Peter also disputes the district court's broad findings regarding the lack of impropriety on the ground that he has been excluded from the Retreat Lodge property. In this regard, we also agree with Peter that the district court's finding that "Peter . . . has

[9] The IRS tax standards provide that a company "shall" exclude "de minimis fringe" from gross income. I.R.C. § 132(a)(4) (2018); *see also* 26 C.F.R. § 1.132-6(e) (2024) (listing examples of "de minimis fringe benefits"). The duty of loyalty does not include this kind of exception to the actions of a trustee. *Bremer*, 2 N.W.3d at 320 ("[T]here is no 'de minimis defense' to whether self-dealing violates the duty of loyalty."). The IRS tax standards also permit a company to deduct certain "ordinary and necessary" business expenses. *See* I.R.C. § 162(a) (2018). But an expense satisfying the standard for deduction is not the same as a trustee prudently administering the trust. "A trustee shall administer the trust as a prudent person would, by considering the purposes, terms, and distribution requirements of the trust and all relevant circumstances." Minn. Stat. § 501C.0804.

never specifically alleged improprieties . . . in Retreat Lodge's operations" lacks support in the record. As explained above, trustees must "manage the trust with equal consideration for the interests of all beneficiaries." *Van Dusen*, 834 N.W.2d at 521 (quotation omitted). And all the parties agree that Peter has been fully prevented from using Retreat Lodge's property for years.

4. Conclusion – Factual Findings

For these reasons, we conclude the district court made clearly erroneous findings. Even when viewed in the light most favorable to the verdict, the district court's findings regarding Peter's access to Retreat Lodge's financial information and respondents' alleged improprieties are not supported by the record evidence. On this basis, the district court abused its discretion when it denied Peter's motion for a new trial.

C. Conclusion

In sum, for the reasons stated above, we conclude the district court abused its discretion when it denied Peter's motion for a new trial. Accordingly, we reverse and remand for further proceedings not inconsistent with this opinion. On remand, the district court shall have discretion to make amended findings of fact on the existing record or to reopen the record. If the district court amends its findings of fact on the existing record, it shall make any necessary adjustment to its conclusions of law and judgment. If the district court reopens the record, it shall have discretion to proceed as it sees fit, up to and including a new trial—in whole or in part—as it deems necessary. *See* Minn. R. Civ. P. 59.01. If the district court reopens the record, it shall make any necessary adjustments to its findings of fact, conclusions of law, and judgment.

II.

Peter next challenges the district court's decision to impose sanctions under Minn. Stat. § 549.211, subd. 2 (2024).[10] We review the district court's decision to impose sanctions for an abuse of discretion. *Cole v. Star Trib.*, 581 N.W.2d 364, 370 (Minn. App. 1998). As set forth above, "[a] district court abuses its discretion when its decision is based on an erroneous view of the law or is inconsistent with the facts in the record." *Bremer*, 2 N.W.3d at 319 (quotation omitted).

An attorney presenting pleadings or motion papers to the district court certifies that: (1) the claims are "not being presented for any improper purpose, such as" harassment; (2) the claims are supported "by existing law or by a nonfrivolous argument" to change the law; (3) "the allegations and other factual contentions have evidentiary support or . . . are likely to" after further investigation or discovery; and (4) "the denials of factual contentions are warranted on the evidence or . . . reasonable based on a lack of information or belief." Minn. Stat. § 549.211, subd. 2; Minn. R. Civ. P. 11.02. Sanctions are not appropriate where a party had "an objectively reasonable basis for pursuing a factual or legal claim." *Uselman v. Uselman*, 464 N.W.2d 130, 142-43 (Minn. 1990).

A district court may impose sanctions against an attorney or a party who violates the pleading requirements. Minn. Stat. § 549.211, subd. 3; Minn. R. Civ. P. 11.03. "The

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[10] The district court cited Minn. Stat. § 549.211, subd. 2, in its order to show cause. Accordingly, it appears to have awarded sanctions under Minn. Stat. § 549.211, subd. 2, although it does not cite that statute or Minn. R. Civ. P. 11 in its sanctions order. But the relevant provisions of Minn. Stat. § 549.211 (2024) and rule 11 are, at least for our purposes here, identical. Accordingly, some of the case law referenced in this section discusses sanctions in the context of rule 11.

[district] court should impose the least severe sanction necessary to" deter the offending actions "and may also consider the presence or absence of bad faith in determining an appropriate sanction." *Uselman*, 464 N.W.2d at 145. The purpose of a sanctions award "is to penalize only the filing of clearly meritless claims, not the advancement of losing but arguably merited claims or theories." *In re Adoption of T.A.M.*, 791 N.W.2d 573, 579 (Minn. App. 2010).

We conclude the district court abused its discretion when it sanctioned Peter on the ground that he brought frivolous claims. Primarily, the district court found Peter's claims were frivolous because of his prior lawsuits against respondents. But, unlike the present action, Peter did not bring any of the past lawsuits in his capacity as a beneficiary. In 2016, Peter brought an action against respondents in his capacity as a co-trustee. And in 2019, he brought his claim in his capacity as a shareholder. Further, respondents filed a dispositive motion earlier in the proceedings, making a substantially similar argument—res judicata precluded Peter's claims because of the prior lawsuits. The district court denied that motion precisely because Peter brought this lawsuit in his role as a beneficiary. *See Collins v. Waconia Dodge, Inc.*, 793 N.W.2d 142, 145 (Minn. App. 2011) (quotation omitted), *rev. denied* (Minn. Mar. 15, 2011) ("A party who survives [a dispositive motion] with the major claims intact should not be subject to sanctions after trial predicated on these surviving claims."). In addition, even if Peter ultimately loses his claims, for the reasons highlighted above, Peter advanced "arguably merited claims or theories" regarding respondents' alleged breaches of fiduciary duties. *T.A.M.*, 791 N.W.2d at 579.

Accordingly, we conclude that the district court abused its discretion when it imposed sanctions because Peter's claims were not frivolous. We therefore reverse the district court's sanctions order.

III.

Peter finally challenges the district court's decision to deny his motion to remove the judge on the basis that the record shows that the judge appeared to be biased against Peter. We review the district court's decision to deny a motion to remove for an abuse of discretion. *Haefele v. Haefele*, 621 N.W.2d 758, 766 (Minn. App. 2001), *rev. denied* (Minn. Feb. 21, 2001). Again, "[a] district court abuses its discretion when its decision is based on an erroneous view of the law or is inconsistent with the facts in the record." *Bremer*, 2 N.W.3d at 319 (quotation omitted).

A judge who has presided at a motion or other proceeding "may not be removed except upon an affirmative showing that the judge . . . is disqualified under the Code of Judicial Conduct." Minn. R. Civ. P. 63.03. "A judge shall disqualify [themself] in any proceeding in which the judge's impartiality might reasonably be questioned . . . ." Minn. Code Jud. Conduct Rule 2.11(A). This includes circumstances wherein "[t]he judge has a personal bias or prejudice concerning a party or a party's lawyer." *Id.* (A)(1). "A judge should disclose on the record information that the judge believes the parties or their lawyers might reasonably consider relevant to a possible motion for disqualification, even if the judge believes there is no basis for disqualification." *Id.* cmt. 5. We presume that a judge properly discharged their duties. *Hannon v. State*, 752 N.W.2d 518, 522 (Minn. 2008).

Peter first argues the district court abused its discretion when it denied the motion on the basis that the judge, and their spouse, were "friends" on social media with John's counsel. We find our recent nonprecedential decision helpful to resolving this question. *See Fideldy v. Schumacher*, No. A22-1795, 2023 WL 4772009, at *1 (Minn. App. July 25, 2023), *rev. denied* (Minn. Oct. 25, 2023).[11]

In *Fideldy*, the appellant "posted comments on social media" about the respondent and the respondent's supervisor, prompting the respondent to petition for a harassment restraining order (HRO). *Id.* The district court judge made comments at the evidentiary hearing indicating that they knew two people mentioned in the posted comments but granted the HRO. *Id.* at *1-2. The appellant subsequently filed a motion to remove the district court judge, arguing that they failed to disclose a conflict of interest. *Id.* at *1. The district court judge denied the appellant's motion. *Id.* On appeal, we determined that the district court judge did not abuse their discretion when they denied the motion because the record supported that the district court judge had not shown bias. *Id.* at *2. We reasoned that "just because the judge knew those two individuals [did] not mean that the judge had a bias against [the appellant]." *Id.* We also noted that district court judges are "bound to know" the many people they interact with in their courtrooms, including attorneys, but that we nevertheless presume that judges have discharged their duties properly. *Id.*

We conclude this case is analogous to *Fideldy*. Like *Fideldy*, just because the judge may know John's counsel does not mean that the judge had bias against Peter. And in

[11] This case is nonprecedential and, therefore, not binding. We cite nonprecedential cases as persuasive authority only. *See* Minn. R. Civ. App. P. 136.01, subd. 1(c).

smaller legal communities in particular, judges are "bound to know" the attorneys that frequently appear in their courtrooms. *Id.* But even so, at the show-cause hearing, John's counsel asserted that she does not know the judge personally, despite their social-media connection. The screenshots Peter included in support of his motion do not contradict this statement, as John's counsel's social-media page indicated that the judge and their spouse were but two of her 2,300 total social-media "friends." The record therefore supports the district court's determination that Peter failed to show bias.

Peter argues second that the outcome of the bench trial and the judge's tone in orders following their decision show an appearance of bias. But prior adverse rulings do not constitute bias. *See Olson v. Olson*, 392 N.W.2d 338, 341 (Minn. App. 1986). And Peter does not specifically point to anything in the record to support his contention that the judge showed "hostility" as opposed to simply disagreeing with his position. *See Schoepke v. Alexander Smith & Sons Carpet Co.*, 187 N.W.2d 133, 135 (Minn. 1971) ("An assignment of error based on mere assertion and not supported by any argument or authorities in appellant's brief is waived and will not be considered on appeal unless prejudicial error is obvious on mere inspection.").

For these reasons, we conclude the judge did not abuse their discretion when they denied the motion to remove.

Affirmed in part, reversed in part, and remanded.