STATE OF MINNESOTA
IN COURT OF APPEALS
A24-0995

The CastleRock Group, LLC, et al.,
Appellants,

vs.

Ryan Litfin, et al.,
Respondents.

Filed June 16, 2025
Affirmed in part, reversed in part, and remanded
Ross, Judge

Hennepin County District Court
File No. 27-CV-21-7226

John R. Neve, John Hayden, Quantum Lex PA, Minneapolis, Minnesota (for appellants)

Justice Ericson Lindell, Mihajlo Babovic, Greenstein Sellers PLLC, Minneapolis, Minnesota (for respondents)

Considered and decided by Bratvold, Presiding Judge; Ross, Judge; and Cleary, Judge.[*]

NONPRECEDENTIAL OPINION

ROSS, Judge

Two of the owners of a limited liability company accused the other two owners of breaching their fiduciary duty and conversion for having allegedly transferred the

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

company's interest in real estate to benefit themselves. Midway through trial, the accused owners successfully moved for judgment as a matter of law for lack of damages evidence. Because the district court correctly determined that the plaintiff owners generally failed to prove damages, we affirm in part. But we reverse in part and remand for a new trial because they introduced trial evidence on which a fact-finder could, to a limited extent, determine damages.

FACTS

This case arose from the disintegration of a business arrangement between four men—Luke Adrian, John Kastl, Ryan Litfin, and Dale Francis—who owned The CastleRock Group LLC. CastleRock is the parent company owning all of the shares in three other limited liability companies: East West Global (EWG), a hedge-fund-related business that Adrian managed; Vincent Real Estate Group (VREG), a real-estate-investment business that Litfin and Francis managed; and Vincent Financial, an insurance agency. The relevant facts as we have construed them given a muddled record are as follows.

CastleRock hosted seminars at country clubs to solicit high-value clients to invest in the three subsidiary companies, and, based on trial evidence, it came to own about a half interest in three properties through VREG's shares in other holding companies: Urbana Place Senior Living, Vincent Rogers Apartments, and Lake Jonathan Flats (together, the "disputed properties"). Some evidence also suggested that Litfin and Francis, the respondents in this appeal, transferred control of those properties from VREG to another company controlled by Litfin and Francis in November 2018 without Adrian's or Kastl's agreement. CastleRock sued Litfin and Francis on behalf of VREG, EWG, and Vincent Financial. We refer to CastleRock, VREG, EWG, and Vincent Financial collectively as the appellants. Appellants' complaint alleged that respondents breached their fiduciary duties owed to VREG by funneling business opportunities to other entities controlled by respondents, retaining the profits for themselves. They also alleged that the transfer constituted conversion of company profits. The complaint asked for relief in the form of money damages, interest, a constructive trust, costs and disbursements, and "other and further relief as the Court deems just and proper under the circumstances."

Appellants changed counsel in April 2023 and moved to continue the trial and extend discovery, explaining that "no substantial documents appear to have been produced nor do any depositions appear to have been taken in this lawsuit." The district court granted their trial-continuance request but refused to extend discovery. During the three-day jury trial, all four business partners testified and the district court admitted into evidence dozens of exhibits.

Testimony focused on how the disputed properties had been funded. Adrian testified that EWG mostly funded CastleRock and that CastleRock in turn paid salary obligations and did "literally everything to market" the disputed properties. He acknowledged that VREG collected management fees totaling about $250,000 from investments into the disputed properties and then transferred that revenue to CastleRock. Kastl likewise implied that appellants had paid a considerable amount to solicit investments into the disputed properties, offering a spreadsheet showing spending on promotional materials.

The trial evidence conflicted as to how the disputed properties fit in CastleRock's business structure. Appellants provided evidence that having the disputed properties allowed the business to sell ownership interests and that VREG could profit from investment-management fees as well as the eventual sale of the properties. Kastl testified that VREG had contributed "hugely" to the disputed properties and owned the land. He said that the land had increased in value "overnight" when it was converted to commercial property and opined that "we" are entitled to the appreciated value. Francis testified in contrast that VREG in this context served only to raise investment fees to go to CastleRock, implying that VREG did not have a valuable ownership interest in the disputed properties. The respondents highlighted documentary evidence that suggested that Adrian and Kastl had the opportunity to individually invest in two of the disputed properties, just as respondents asserted they had done.

The district court received valuation and sale evidence about the disputed properties. Appellants submitted personal balance sheets from Francis dated December 1, 2019, and May 1, 2020, representing the value of real-estate projects that he had an interest in, including the disputed properties. These balance sheets appear to assign values to the three disputed properties with columns for "assets," "liabilities," and "equity." They provided a personal balance sheet from Litfin dated February 19, 2020, reflecting the same figures for the disputed properties as Francis. The financial statements provided what respondents claimed to be their personal equity share in each of the properties, reflecting that they each had between 6% and 11% ownership in them. Francis testified that Vincent Rogers and

Lake Jonathan were sold in 2021. He testified that Urbana had not been sold and that it was worth significantly less at the time of trial because of the effect of the Covid-19 pandemic.

Respondents moved for judgment as a matter of law after the appellants completed their case in chief, arguing that appellants had failed to offer sufficient evidence of damages. The district court granted the motion. It reasoned that appellants' claim of lost profits was at most speculative and conjectural and concluded that they therefore had failed to prove damages.

The appellants moved for a new trial and filed a notice of appeal that we dismissed as premature. They argued in support of their new-trial motion that the district court erroneously failed to consider various damages theories and that equitable relief was still available. The district court denied the motion. This appeal follows.

DECISION

Appellants offer two categories of argument in this appeal addressing the district court's denial of their new-trial motion and its grant of the respondents' motion for judgment as a matter of law (JMOL). The first regards monetary damages and the second regards equitable relief. Regarding monetary damages, they argue that the district court erred by considering only lost profits as their potential damages when trial evidence could have supported damages based on the value of the disputed properties at the time they were transferred away. They alternatively argue that contributions made to the disputed properties from EWG to CastleRock, and CastleRock's paying for promotional materials used to help find buyers to invest in the disputed properties, presents another basis to award damages. And they argue that their breach-of-fiduciary-duty claim should allow them equitable relief, such as a constructive trust or an equitable accounting. We address each argument in turn.

I

Appellants contend that the district court erroneously granted respondents' JMOL motion. A party may obtain JMOL after an opposing party has been fully heard on an issue at trial and there is no legally sufficient evidentiary basis for a reasonable jury to find for that party. Minn. R. Civ. P. 50.01(a). We review *de novo* a district court's grant of JMOL, considering the evidence submitted in a light most favorable to the nonmoving party and making an independent determination whether there is sufficient evidence to present a fact issue to the jury. *See Vermillion State Bank v. Tennis Sanitation, LLC*, 969 N.W.2d 610, 618 (Minn. 2022); *Jerry's Enters., Inc. v. Larkin, Hoffman, Daly & Lindgren, Ltd.*, 711 N.W.2d 811, 816 (Minn. 2006). The district court should grant JMOL only if the evidence favoring the moving party is so overwhelming that reasonable minds could not differ on the outcome. *Vermillion State Bank*, 969 N.W.2d at 619. But in a circumstance as the district court faced here, determining "whether damages are too speculative or remote should usually be left to the judgment of the trial court." *Bryson v. Pillsbury Co.*, 573 N.W.2d 718, 722 (Minn. App. 1998) (quotation omitted) (reviewing a district court's granting of summary judgment on the issue of damages); *see Peterson v. W. Nat'l Mut. Ins. Co.*, 946 N.W.2d 903, 911 (Minn. 2020) (comparing the standards of review for an appeal from a summary-judgment motion with a JMOL motion). We analyze the district court's judgment under this standard.

Appellants argue that the district court should not have limited its damages analysis to lost profits. The district court reasoned that the appellants' damages evidence would require the jury to speculate to find in their favor. Although damages that are remote or speculative are not recoverable, there is no simple test to determine whether damages are too remote or speculative. *Jackson v. Reiling*, 249 N.W.2d 896, 897 (Minn. 1977). A plaintiff need not prove a loss with mathematical precision, but must produce evidence supporting at least a "reasonable basis" on which a jury could approximate an amount. *Leoni v. Bemis Co.*, 255 N.W.2d 824, 826 (Minn. 1977). Appellants argue that a proper determination of damages is the value of their ownership shares in the disputed properties "at or near the time" they were transferred from VREG to another entity. *See Bloomquist v. First Nat'l Bank of Elk River*, 378 N.W.2d 81, 86 (Minn. App. 1985) (stating that the measurement of damages for conversion is the fair market value at the time of conversion), *rev. denied* (Minn. Jan. 31, 1986). We conclude that, accepting this method of determining damages as proper, damages measured by the value of the disputed properties at the time they were transferred away would still allow only for an unduly speculative damages award for the reasons below.

Appellants would have us assume that the operating agreements setting forth VREG's purportedly 50% ownership in the holding companies for the disputed properties, considered along with the respondents' balance sheets, allow for a reasonably definite dollar value to determine damages. But even construing this evidence in a light most favorable to appellants, speculation would be necessary to find damages. It is true that testimony could support the conclusion that VREG had valuable equity in the disputed properties before the transfer. And the operating agreements of the businesses controlling the disputed properties paired with testimony could suggest that, at least at that time, VREG had a roughly 50% ownership interest in each of these properties through holding companies. But even so, relying on the respondents' balance sheets to determine a damages award faces two obstacles.

The first is that uncontested testimony of respondents and Kastl reveals that the value of these real-estate-development projects is volatile, and the personal balance sheets are dated more than a year after the alleged transfer. A document submitted at trial outlines the complex and evolving ownership structure of real-estate projects under VREG over time, requiring input of multiple variables—which were not submitted into evidence. The evidence also indicates that, at the time of transfer, building permits had not yet been pulled and bank loans had not been received on at least two of the disputed properties. Appellants contend that they "are not bound by the decisions and expenses Respondents made for the Properties after they were taken." But this contention highlights the difficulty: because of actions that respondents might have taken between the transfer (November 2018) and the creation of the balance sheets (the first being December 2019), applying those balance sheets to the time of the transfer would necessarily require a jury to speculate to arrive at a damages award. The only precedential case the appellants rely on to support their argument that an outdated valuation may nevertheless support a valid damages award, *Johnson v. Johnson*, 277 N.W.2d 208, 210–11 (Minn. 1979), does not involve the complex investment arrangement involved here. Nor does it involve a multi-million-dollar real-estate-development project where valuations can change rapidly depending on uncertain variables.

The second obstacle is the lack of clarity as to which column on the different balance sheets the jury should use to value appellants' purported 50% interest in the disputed properties. Appellants offered no clear testimony or other evidence establishing how the jury should interpret the balance sheets. On appeal they suggest that their alleged 50% interest should be applied to the "assets" or "total assets" column. But it is not clear that this should be so. The balance sheets include columns designating "liabilities" or "total liabilities" resulting in "current value" or "total value" if liabilities are subtracted from assets. And next to the value column is another, designating "equity," which the respondents testified at trial represented the amount that they personally contributed for the properties.

Appellants offer that they should be awarded fair market value of the properties at the time they were transferred, reflected in the "total assets" column. *See Bloomquist*, 378 N.W.2d at 86. But the jury did not have sufficient information to use this column because liabilities may need to be subtracted to value real-property interests, *see Johnson*, 277 N.W.2d at 213, and appellants provided no clear evidence concerning their liabilities or the lack of liabilities related to these properties. If appellants were not burdened by liabilities, earning the assets-column value would result in a windfall. Further highlighting the difficulty the jury would face without clear evidence, appellants suggest that the jury could also estimate their damages based on the figures in the "equity" column if the jury disbelieved respondents' testimony that these figures represented the value of their individual ownership in the disputed properties. But this approach would leave the jury to puzzle over whether the interest in those properties had been diluted to the 6–11% equity shown in the balance sheets. And if the jury instead believed Litfin's testimony suggesting that he and Francis *each separately* made the same equity contributions, they would then have to decide, without adequate guidance, whether the total equity percentage for each property was in fact 12–22%. The various permutations could swing a damages award millions of dollars in either direction. The evidence presented in the appellants' case in chief left the jury no reasonable way of knowing how to interpret the balance sheets. Appellants' damages arguments based on the respondents' balance sheets fail.

Appellants unconvincingly contend that the jury could have based damages on the fundraising costs they incurred acquiring the disputed properties. Compensatory damages are available for a breach-of-fiduciary-duty claim as appellants made here. *Evans v. Blesi*, 345 N.W.2d 775, 780 (Minn. App. 1984). While respondents suggest that this issue is not properly before us, the record informs us otherwise. Appellants made compensatory-damages arguments to the district court implicitly at trial through testimony, and they presented the argument expressly in their new-trial motion. Adrian testified that EWG brought "just over [$]2.2 million" into CastleRock. But the trial evidence suggested that CastleRock was a large business that had many expenses, including office space and personnel, and the appellants presented no evidence showing what portion of EWG's $2.2 million flowed to support the disputed properties. The jury again would be left to speculate to determine damages. The same analysis applies for Kastl's $100,000 buy-in and the labor he provided CastleRock, also argued by appellants as a damages metric.

Appellants argue that the district court invaded the jury's province in its damages determination. They cite the model jury instructions on damages to support this contention: "A party asking for damages must prove the nature, extent, duration, and consequences of his or her (injury)(harm). You must not decide damages based on speculation or guess." 4A *Minnesota Practice*, CIVJIG 90.15 (2014). The jury-instruction guides, though helpful, are not themselves the law. *State v. Garza*, 3 N.W.3d 18, 21 (Minn. App. 2024). And in any event, appellants' argument overlooks the "Use Note" to the proposed instruction, which states, "The question of whether damages are too remote or speculative to be submitted to the jury is a question of law for the trial court." CIVJIG 90.15 use note. As we have explained, the district court correctly concluded that most of the appellants' damages theories were too speculative to reach the jury.

Appellants suggest that the jury could still grant them lost profits even if the result would be speculative. They cite *Janigan v. Taylor*, 344 F.2d 781 (1st Cir. 1965), and *Est. of Jones by Blume v. Kvamme*, 449 N.W.2d 428 (Minn. 1989), to support this argument. But in each case, the district court still had a reliable damages metric—a purchase and sale price. *Janigan*, 344 F.2d at 783; *Est. of Jones*, 449 N.W.2d at 430. By contrast here, no trial evidence showed the sale price of the disputed properties.

Appellants also maintain that the district court "improperly penalized" them for not obtaining relevant evidence of damages during discovery. They do not directly challenge the district court's discovery decision, and the record suggests that the court was not improperly "penalizing" appellants for failing to discover evidence. Rather, the district court properly applied the relevant burden of proof, which required the appellants to prove monetary damages by a preponderance of the evidence. *Carpenter v. Nelson*, 101 N.W.2d 918, 921 (Minn. 1960). Appellants' unfounded bias implication does not merit further analysis.

But appellants persuasively highlight the $246,299 that CastleRock spent on "promotions" as a nonspeculative basis to calculate damages. Adrian's testimony could support a finding that the promotions expenses identified in evidence were for advertising CastleRock and its subsidiaries generally, including the EWG hedge fund and Vincent Financial insurance. Adrian also testified that respondents' seminars and efforts resulted in about 98% of the investors to EWG. And although VREG contributed $250,000 to CastleRock raised through investment fees in real-estate projects, Kastl's testimony could support a finding that the goal of the promotional funds was solely to funnel investors into real-estate projects. This evidence could result in a nonspeculative damages calculation based on the $246,299 promotions figure. On this ground alone, we reverse the district court to give appellants the opportunity to convince a fact-finder in a new trial to assess damages based on the promotions figure.

II

Appellants next argue that the district court's granting JMOL was inappropriate because of the possibility for equitable relief. We review *de novo* the district court's decision that equitable relief is unavailable as a matter of law. *See Brown v. Lee*, 859 N.W.2d 836, 839–40 (Minn. App. 2015), *rev. denied* (Minn. May 19, 2015). Our *de novo* review leads us to determine appellants are not entitled to equitable relief.

We are not persuaded by appellants' argument that the district court could grant them a constructive trust, an accounting, or other equitable remedies. A constructive trust arises in favor of a person equitably entitled to property if its title is wrongly obtained through breach of a fiduciary relationship. *Wright v. Wright*, 311 N.W.2d 484, 485 (Minn. 1981). Appellants seek to impose equitable remedies, including imposing a constructive trust, to "return . . . ownership of the Properties to the fullest extent possible." And an equitable accounting occurs largely in two circumstances: "when a fiduciary owes an equitable duty to account and when the accounts at issue are exceedingly complicated." *United Prairie Bank-Mountain Lake v. Haugen Nutrition & Equip., LLC*, 813 N.W.2d 49, 57 n.3 (Minn. 2012). Neither a constructive trust nor an accounting, nor any other implied equitable remedy, is available here.

Appellants are not entitled to equitable relief because they could have obtained an adequate legal remedy. Parties may not obtain equitable relief when they have an adequate remedy at law, and the burden is on parties seeking equitable relief to demonstrate that they do not have an adequate legal remedy. *See Stocke v. Berryman*, 632 N.W.2d 242, 245–46 (Minn. App. 2001), *rev. denied* (Minn. Sept. 25, 2001); *see Landgraf v. Ellsworth*, 126 N.W.2d 766, 769 (Minn. 1964) ("The necessary prerequisite to the right to maintain a suit for an equitable accounting . . . is . . . the absence of an adequate remedy at law." (quotation omitted)). We recognize that we have in other contexts allowed a plaintiff to recover both legal and equitable relief. *See Shepherd of the Valley Lutheran Church of Hastings v. Hope Lutheran Church of Hastings*, 626 N.W.2d 436, 443–44 (Minn. App. 2001), *rev. denied* (Minn. July 24, 2001). Implicit in our *Shepherd of the Valley* decision was that, unlike here, monetary damages would not alone adequately compensate the plaintiff for the alleged breach of a fiduciary duty. Had the proper evidence been presented, appellants might have obtained damages for the value of their ownership interest in the properties at the time they were transferred or for profits improperly withheld because of these transfers. And we have acknowledged that appellants may be entitled to some compensatory damages on the evidence presented. Traditional discovery tools were available for appellants to obtain additional information and evidence about the ownership structures, profits, and sale prices of the disputed properties, potentially substantiating their damages claims under the legal theories that failed for lack of evidence. Demonstrating the possible efficacy of the unused opportunity for discovery here, appellants tried to admit a sale agreement for the Vincent Woods property, but the evidence was inadmissible due to lack of foundation. Had appellants taken advantage of their opportunity to obtain admissible evidence through proper discovery, this presumably would not have been so. And because they do not assert they had moved to compel discovery, they have no basis on which to claim error. Appellants fail to explain how their failure to pursue discovery to uncover evidence of monetary damages should result in equitable remedies.

We add that, even if the equitable relief were not barred by the appellants' adequate remedy at law, a constructive trust would be inappropriate here. We have held that when a district court lacks jurisdiction over a nonparty it cannot adjudicate the nonparty's property rights. *See Danielson v. Danielson*, 721 N.W.2d 335, 339 (Minn. App. 2006). Uncontested evidence about the properties suggests that respondents either sold them or that they share ownership with others in an unknown ownership structure. A constructive trust would be inappropriate given the district court's lack of power to adjudicate the property rights of a nonparty.

Affirmed in part, reversed in part, and remanded.