

SUPREME COURT OF THE STATE OF MONTANA

Jackpot Farms, Inc. v. Johns Farms, Inc.

2020 MT 311 (Supreme Court of the State of Montana 2020) · No. DA 20-0208 · Decided December 15, 2020

SUMMARY

The Montana Supreme Court affirmed a District Court judgment dissolving the Johns Brothers Farms partnership, accounting for the partners' capital accounts, and distributing partnership assets. The Court held that Jerry Johns did not breach his fiduciary duties, upheld the accounting—including a \$15,000 assessment for Butch's near-exclusive use of a parcel—and affirmed the award of the 40-acre parcel to Jerry upon payment of its agreed value.

CASE DETAILS

COURT	Supreme Court of the State of Montana
WRITING FOR THE COURT	Jim Rice; Mike McGrath; Beth Baker; Dirk M. Sandefur; Ingrid Gustafson
JURISDICTION	Montana
DECIDED	December 15, 2020
DOCKET	DA 20-0208
DISPOSITION	affirmed
PROCEDURAL POSTURE	Johns Farms, Inc. appealed from a district court judgment dissolving the Johns Brothers Farms partnership, accounting for the partners' capital accounts, and distributing partnership assets.
STANDARD OF REVIEW	In equitable proceedings, the court reviews questions of fact and law appearing in the record. Factual findings are reviewed for clear error and are upheld if supported by substantial evidence unless the Court is left with a definite and firm conviction that a mistake has been made. Conclusions of law are reviewed for correctness.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Johns Farms, Inc. v. Jackpot Farms, Inc.

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QUESTIONS PRESENTED

1. Whether the District Court erred by concluding that Jerry did not breach his fiduciary duty to Butch and the partnership.
2. Whether the District Court erred in calculating the partners' capital-account balances, including the \$15,000 assessment for Butch's near-exclusive use of the 40-acre parcel and the claimed post-2014 expenses.
3. Whether the District Court erred by awarding the 40-acre parcel to Jerry in the distribution of partnership assets.

HOLDINGS

1. The District Court did not err in concluding that Jerry did not violate his fiduciary duties to Butch or the partnership.
2. The District Court's accounting and its assessment of \$15,000 against Butch for his near-exclusive use of the 40-acre parcel were supported by substantial evidence, and Butch did not demonstrate reversible error concerning his claimed post-2014 expenses.
3. The District Court did not err by awarding the 40-acre parcel to Jerry upon his purchase of it for the agreed value of \$77,000.

KEY QUOTATIONS

“Therefore, we conclude the District Court did not err in the application of the law of partnership by holding that Jerry did not violate fiduciary duties.” (¶ 19)

“We conclude the District Court did not err by granting the property to Jerry upon his purchase for the agreed value.” (¶ 32)

“Affirmed.” (¶ 33)

FACTUAL BACKGROUND

Jackpot Farms, Inc. and Johns Farms, Inc., corporations owned by brothers Jerry and Butch Johns, each held a 50% interest in Johns Brothers Farms, a farming partnership formed in 1980. In 2013, the brothers agreed to dissolve the partnership and executed a settlement agreement distributing most partnership assets, leaving unresolved the 40-acre parcel, certain equipment, and the partners' capital-account accounting. An accountant determined that Jerry had drawn partnership funds, including \$117,522.93 used to construct his personal residence, while Butch had also taken substantial draws and had made near-exclusive use of the 40-acre parcel. After a bench trial, the District Court found no fiduciary breach, calculated the capital accounts, and awarded the 40-acre parcel to Jerry for its agreed value of \$77,000.

PROCEDURAL HISTORY

Jerry Johns initiated an action in the Ninth Judicial District Court in 2014 seeking dissolution, settlement of the partners' capital accounts, enforcement of a settlement agreement, and distribution of a 40-acre parcel. After the case was dormant for two years and the court issued a notice of failure to prosecute, Jerry filed an amended complaint in 2017. Following a bench trial, the District Court entered findings, conclusions, and judgment in March 2020, including a determination that Jerry had not breached his fiduciary duties, an accounting of the partners' capital accounts, and an award of the 40-acre parcel to Jerry upon payment of \$77,000. The Montana Supreme Court affirmed.

DISPOSITION

affirmed

CASES CITED

- Mont. Digital, LLC v. Trinity Lutheran Church, 2020 MT 250, ¶ 9, 401 Mont. 482, 473 P.3d 1009
- Baltrusch v. Baltrusch, 2003 MT 6, ¶ 23, 319 Mont. 23, 83 P.3d 256
- State v. Perry, 283 Mont. 34, 36, 938 P.2d 1325, 1327 (1997)
- Ace Leasing, Inc. v. Boustead, 2002 MT 213, ¶ 16, 311 Mont. 285, 55 P.3d 371
- Trifad Entertainment v. Anderson, 2001 MT 227, ¶ 27, 306 Mont. 499, 36 P.3d 363
- Kingston v. Ameritrade, Inc., 2000 MT 269, ¶ 9, 302 Mont. 90, 12 P.3d 929
- Wilson v. Wilson, 64 Mont. 533, 543, 210 P. 896, 899 (1922)
- McCormick v. Brevig, 2004 MT 179, 322 Mont. 112, 96 P.3d 697
- Krajacich v. Great Falls Clinic, LLP, 2012 MT 82, ¶ 12, 364 Mont. 455, 276 P.3d 922
- Hames v. Polson, 123 Mont. 469, 477, 215 P.2d 950, 954 (1950)
- Maddox v. Norman, 206 Mont. 1, 14, 669 P.2d 230, 237 (1983)
- Sawyer-Adecor International, Inc. v. Anglin, 198 Mont. 440, 455, 646 P.2d 1194, 1202 (1982)
- Rase v. Castle Mountain Ranch, Inc., 193 Mont. 209, 222, 631 P.2d 680, 687 (1981)