SUPREME COURT OF IDAHO

Mike Lettunich v. Edward Lettunich, 141 Idaho 425

111 P.3d 110 (2005) · No. No. 28619 · Decided March 29, 2005

SUMMARY

The Idaho Supreme Court reviewed orders and a final judgment arising from the dissolution and winding up of a family partnership, including enforcement of a settlement agreement. The court affirmed most rulings, including the treatment of disputed real property, partnership obligations, accounting issues, and attorney-fee entitlement, but reversed the assessment of a mortgage prepayment penalty against one partner and vacated and remanded the attorney-fee amount for further consideration under the applicable rule.

CASE DETAILS

COURT	Supreme Court of Idaho
WRITING FOR THE COURT	Jones, Justice; Schroeder, Chief Justice; Trout, Justice; Eismann, Justice; Burdick, Justice
JURISDICTION	Idaho
DECIDED	March 29, 2005
DOCKET	No. 28619
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Appeal from orders and the final judgment of the Idaho district court in an action to dissolve a partnership and enforce a settlement agreement.
STANDARD OF REVIEW	For an appeal from a district court sitting as fact finder, the Supreme Court reviews for abuse of discretion, examining whether the court perceived the issues as discretionary, acted within the outer boundaries of its discretion and applied the correct legal principles, and reached its decision through an exercise of reason. Findings of fact are reviewed for clear error and will not be disturbed when supported by substantial and competent evidence.
PRECEDENTIAL VALUE	Published precedential opinion of the Idaho Supreme Court
PARTIES	Edward Lettunich v. Mike Lettunich

TOPICS

commercial litigation · contracts · real estate · appellate procedure · standard of review

PRACTICE AREAS

commercial litigation · partnerships · contracts · real estate · appellate procedure · attorney fees

QUESTIONS PRESENTED

1. Whether Parcel H was partnership property despite title being held in the names of family members and the partners' wives.
2. Whether the district court properly authorized the dispersing agent to sell the partnership's real property to Fallon Enterprises and to execute the documents necessary to close the sale.
3. Whether the compromise agreement settled claims concerning the partners' capital accounts and properly authorized the accounting adopted by the district court.
4. Whether the Tess Ucovich promissory note was a partnership obligation payable from partnership assets.
5. Whether funds contributed by Mike and Edward in 1998 were capital contributions rather than loans.
6. Whether Edward's capital account could properly be charged with the MetLife mortgage prepayment penalty.
7. Whether the district court properly denied motions to disqualify counsel for or remove the dispersing agent and properly approved the dispersing agent's attorney fees.
8. Whether Mike was entitled to attorney fees under the settlement agreement and whether the amount awarded was reasonable.
9. Whether either party was entitled to attorney fees on appeal under Idaho Code section 12-121.

HOLDINGS

1. Property acquired with partnership funds is partnership property unless a contrary intent is shown, even if title is held in the name of persons not associated with the partnership. The district court's finding that Parcel H was partnership property was supported by substantial and competent evidence.
2. There is no general rule requiring partnership assets during winding up to be sold to a remaining partner or family member. The district court properly approved the Fallon sale and authorized the dispersing agent to execute closing documents.
3. The compromise agreement settled the parties' claims concerning their capital accounts through the settlement period and validly delegated the determination of present capital-account balances to the parties' accountants.
4. The district court properly found that the Tess Ucovich promissory note was a partnership obligation and properly ordered it paid immediately from partnership assets under the compromise agreement.
5. The district court properly classified the funds contributed by Mike and Edward in 1998 as capital contributions rather than loans.

6. The district court erred by charging Edward's capital account with the MetLife mortgage prepayment penalty because the decision was not supported by substantial evidence.
7. The district court acted within its discretion in denying disqualification and removal motions and in approving payment of the dispersing agent's attorney fees.
8. The district court properly determined that the proceedings constituted a legal action to enforce the compromise and that Mike was the prevailing party for purposes of the agreement's attorney-fee provision.
9. The award of the amount of Mike's attorney fees was vacated because the district court did not sufficiently consider all mandatory Rule 54(e)(3) criteria and the record indicated that the award exceeded a reasonable amount.
10. Neither party was awarded attorney fees on appeal because the appeal was not frivolous, unreasonable, or without foundation.

KEY QUOTATIONS

> *"The rule, employing the term "shall," is mandatory—it requires the court to consider all eleven factors plus any other factor the court deems appropriate."* (at 120)

> *"We reverse the order charging Ed's capital account for the MetLife prepayment penalty. We vacate the district court's order on the amount of attorney fees and remand so that the court can give further consideration to the reasonableness of the attorney fees sought by Mike."* (at 121)

FACTUAL BACKGROUND

The Lettunich family operated a cattle ranch through a partnership that was later reorganized as a limited partnership, with Mike and Edward Lettunich serving as general and limited partners. After flooding, livestock losses, and worsening financial conditions caused relations between the brothers to deteriorate, Mike sought dissolution in 1999. The parties settled, authorizing a dispersing agent to wind up the partnership and sell its assets, but Edward repeatedly challenged the sale of the partnership's real property, filed bankruptcy petitions on behalf of the partnership, and contested various accounting, debt, capital-account, and attorney-fee issues. The district court approved most of the dispersing agent's actions, charged Edward's capital account with a disputed mortgage prepayment penalty, and awarded Mike attorney fees.

PROCEDURAL HISTORY

Mike Lettunich filed an action seeking dissolution of the partnership. The parties later entered a court-approved compromise and settlement agreement providing for winding up and terminating the partnership, including an option for Edward Lettunich to purchase Mike's interest and authorization for a dispersing agent to liquidate partnership assets. After extensive post-settlement proceedings, the district court entered findings and conclusions, awarded attorney fees to Mike, and entered a judgment and decree of dissolution and termination. Edward appealed multiple orders and the final judgment.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Reverse the order charging Edward's capital account with the MetLife prepayment penalty. Vacate the order awarding the amount of Mike's attorney fees and remand for the district court to reconsider the reasonable amount of fees after fully considering the criteria in I.R.C.P. 54(e)(3), including prevailing charges in the pertinent geographic area, time and labor, and the necessity and reasonableness of the legal work. Affirm the remaining contested orders; award costs to Mike but no attorney fees on appeal.

CASES CITED

- Sun Valley Shopping Ctr. v. Idaho Power Co., 119 Idaho 87, 803 P.2d 993 (1991)
- Ervin Constr. Co. v. Van Orden, 125 Idaho 695, 874 P.2d 506 (1993)
- Sun Valley Shamrock Resources, Inc. v. Travelers Leasing Corp., 118 Idaho 116, 794 P.2d 1389 (1990)
- Murgoitio v. Murgoitio, 111 Idaho 573, 726 P.2d 685 (1986)
- Bussell v. Barry, 61 Idaho 350, 102 P.2d 280 (1940)
- Maras v. Stilinovich, 268 N.W.2d 541 (Minn. 1978)
- Holmes v. Holmes, 125 Idaho 784, 874 P.2d 595 (Ct. App. 1994)
- Eastern Idaho Agricultural Credit Ass'n v. Neibaur, 133 Idaho 402, 987 P.2d 314 (1999)
- Daisy Mfg. Co. v. Paintball Sports, 134 Idaho 259, 999 P.2d 914 (Ct. App. 2000)
- Durrant v. Christensen, 117 Idaho 70, 785 P.2d 634 (1990)
- Pass v. Kenny, 118 Idaho 445, 797 P.2d 153 (Ct. App. 1990)