

SUPREME COURT OF ALASKA

Richard Harris v. Ahtna, Inc., Ahtna Government Services Corporation, Ken Johns, Paul Tony, and Neil Anderson

193 P.3d 300 (Alaska 2008) · No. S-11769 · Decided September 26, 2008

SUMMARY

The Supreme Court of Alaska affirmed a trial court judgment against Richard Harris arising from self-dealing transactions involving Ahtna Government Services Corporation and companies associated with Harris. The court held that the allocation of the burden of proof was harmless because Ahtna Government Services had established unfairness by clear and convincing evidence, upheld the trial court's factual findings, and affirmed admission of disputed time sheets as evidence. The judgment included damages and attorney's fees awarded to Ahtna Government Services, Ahtna, Inc., and individual defendants.

CASE DETAILS

COURT	Supreme Court of Alaska
WRITING FOR THE COURT	Chief Justice Fabe; Justice Matthews; Justice Eastaugh; Justice Carpeneti; Justice Winfree
JURISDICTION	Alaska
DECIDED	September 26, 2008
DOCKET	S-11769
DISPOSITION	affirmed
PROCEDURAL POSTURE	Richard Harris appealed a superior court bench-trial judgment entered against him on Ahtna Government Services Corporation's breach-of-fiduciary-duty and rescission claims and on claims in favor of Ahtna, Inc., Ken Johns, Paul Tony, and Neil Anderson.
STANDARD OF REVIEW	Factual findings are reviewed for clear error; evidentiary rulings are reviewed for abuse of discretion and will be reversed only if the error affected a party's substantial rights; allocation of the burden of proof is reviewed de novo.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Richard Harris v. Ahtna, Inc., Ahtna Government Services Corporation, Ken Johns, Paul Tony, Neil Anderson

TOPICS

breach of fiduciary duty corporate governance corporate law evidence appellate procedure

PRACTICE AREAS

corporate law commercial litigation evidence appellate procedure government contracts bankruptcy

QUESTIONS PRESENTED

1. Whether the superior court improperly allocated the burden of proof under Alaska Statute 10.06.478 governing related-party transactions.
2. Whether the superior court's factual findings concerning the Clear and Kulis projects and the rental of office space were clearly erroneous.
3. Whether the superior court improperly adopted proposed findings of fact prepared by counsel.
4. Whether the superior court abused its discretion by admitting Exhibit 79, Pacific Native Development employee time sheets, despite Harris's claims of unfair surprise and prejudice.

HOLDINGS

1. Any error in assigning Harris the burden to prove that the transactions were fair was harmless because Ahtna Government Services independently proved by clear and convincing evidence that the transactions were unfair.
2. The superior court's findings were not clearly erroneous.
3. A trial court may adopt findings and conclusions prepared by counsel when they reflect the court's independent view of the weight of the evidence.
4. The superior court did not abuse its discretion by admitting the time sheets.

KEY QUOTATIONS

"Thus, even assuming that Harris is correct and that the trial court should have placed the burden on Ahtna Government Services to affirmatively prove the transactions were unfair, Ahtna Government Services has already met this burden." (306)

"We reverse factual findings only if they are clearly erroneous, and "[c]lear error is not demonstrated by merely showing a conflict in the evidence."" (307)

"The trial court did not abuse its discretion in admitting Exhibit 79." (308)

"We AFFIRM the trial court's decision in all respects." (309)

FACTUAL BACKGROUND

Ahtna, Inc. owned 51 percent of Ahtna Government Services Corporation, while Harris owned 49 percent and served as its president. Harris directed or approved transactions between Ahtna Government Services and companies in which he or his family had interests, including projects, leases, vehicles, office space, employee-

time charges, and personal expenditures. The superior court found the transactions unfair and self-dealing, awarded Ahtna Government Services damages, and entered additional judgments and attorney's-fee awards against Harris.

PROCEDURAL HISTORY

Ahtna Government Services Corporation sued Harris in 2001 for breach of fiduciary duty and rescission of a stock purchase agreement. Harris asserted counterclaims and third-party claims against Ahtna, Inc. and several individuals. After a bench trial, the superior court found against Harris on all claims, entered judgments totaling more than \$950,000, and awarded attorney's fees. The appeal was stayed during Harris's bankruptcy and later allowed to proceed. The Alaska Supreme Court affirmed in all respects.

DISPOSITION

affirmed

CASES CITED

- Lexington Mktg. Group, Inc. v. Goldbelt Eagle, LLC, 157 P.3d 470, 471 (Alaska 2007)
- Harris v. Ahtna, Inc., 107 P.3d 271, 273-74, 279 (Alaska 2005)
- State v. O'Neill Investigations, Inc., 609 P.2d 520, 528 (Alaska 1980)
- Wyller v. Madsen, 69 P.3d 482, 485 (Alaska 2003)
- Flynn v. E.I. du Pont de Nemours & Co., 988 P.2d 97, 98 (Alaska 1999)
- Industrial Indemnity Co. v. Wick, 680 P.2d 1100, 1108 (Alaska 1984)
- Mackie v. Chizmar, 965 P.2d 1202, 1207 (Alaska 1998)
- Preferred Gen. Agency of Alaska, Inc. v. Raffetto, 391 P.2d 951, 953 (Alaska 1964)
- Marron v. Stromstad, 123 P.3d 992, 996-98, 1000-01 (Alaska 2005)