SUPREME COURT OF THE STATE OF MONTANA

Wyo-Ben, Inc. v. Bixby

2014 MT 334 (2014) · No. DA 13-0831 · Decided December 23, 2014

SUMMARY

The Montana Supreme Court considered an appeal involving minority shareholders of Wyo-Ben, Inc. who challenged the dilution of their voting rights, asserted an oppression claim, and sought payment under Montana's dissenters' rights statute. The court affirmed dismissal of the oppression claim, held that dissenters' rights depend on whether the shareholder's overall voting interests were materially and adversely affected, and ruled that Harlan Bixby was entitled to an award for all of his shares. The court also remanded for determination of the value of the class B shares and a new award.

CASE DETAILS

COURT	Supreme Court of the State of Montana
WRITING FOR THE COURT	Justice Beth Baker; Mike McGrath; James Jeremiah Shea; Laurie McKinnon; Jim Rice
JURISDICTION	Montana
DECIDED	December 23, 2014
DOCKET	DA 13-0831
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Direct appeal from a judgment of the Montana Thirteenth Judicial District Court involving a shareholder oppression counterclaim, dissenters' rights, and valuation of corporate shares.
STANDARD OF REVIEW	Findings of fact in an equitable dissenters' rights action are reviewed for clear error; conclusions of law are reviewed for correctness. Under the clear-error standard, the Court examines whether findings are supported by substantial evidence, whether the district court misapprehended the effect of the evidence, and whether the Court is left with a definite and firm conviction that a mistake was made.
PRECEDENTIAL VALUE	Published Montana Supreme Court opinion; precedential.
PARTIES	Harlan Bixby, M.D., as Trustee of the 995 Separate Property Trust, Ryan K. Bixby, Parker Bixby, Hayden Bixby v. Wyo-Ben, Inc.

TOPICS

corporate law · dissolution · statutory interpretation · remedies · mootness

PRACTICE AREAS

corporate law · commercial litigation · appellate procedure · remedies

QUESTIONS PRESENTED

1. Whether the appeal was moot because not all members of the Bixby family appealed.
2. Whether the District Court erred in rejecting the Bixbys' shareholder oppression claim.
3. Whether dissenting shareholders were entitled to payment for all of their shares or only shares directly and adversely affected by the corporate action.
4. Whether the District Court clearly erred in valuing the class A shares.

HOLDINGS

1. The appeal was not moot merely because some members of the Bixby family did not appeal; each shareholder individually pursued claims and could obtain effective relief.
2. The Bixbys did not establish legally sufficient shareholder oppression, and the District Court properly rejected the oppression claim, although it used an inapplicable procedural rule to dismiss it.
3. When a shareholder demonstrates that the shareholder's voting rights, considered in respect of all shares owned, were materially and adversely affected, the shareholder is entitled to payment for all of the shareholder's shares, not merely the shares directly affected.
4. Harlan Bixby was entitled to payment for the value of all of his shares because enfranchising class B shares diluted his individual voting interest from 18% to 10.75%; Ryan, Parker, and Hayden Bixby were not entitled to payment for their class B shares because they did not demonstrate a materially adverse effect.
5. The District Court did not clearly err in valuing the class A shares, and its valuation was affirmed.

KEY QUOTATIONS

> *"We hold that this appeal is not moot."* (¶ 25)

> *"An adverse effect to a shareholder's shares, considering all of the shares of both classes owned by that shareholder, entitles that shareholder to payment for all shares."* (¶ 44)

> *"We therefore reverse the District Court and remand for determination of the value of class B shares and an award of the value of all of his shares to Harlan Bixby."* (¶ 46)

FACTUAL BACKGROUND

Wyo-Ben is a closely held family corporation with class A voting shares and class B nonvoting shares. In 2011, its board approved a plan giving class B shares voting rights, which reduced the Bixby family's aggregate voting percentage from 34.31% to 24.59%. The Bixby shareholders dissented, demanded payment for both classes of shares, and alleged that the reclassification constituted shareholder oppression. Wyo-Ben paid for the class A shares but refused payment for the class B shares.

PROCEDURAL HISTORY

Wyo-Ben petitioned the District Court for a declaration that the Bixby shareholders were not entitled to payment for their class B shares and disputed their requested valuation of class A shares. The Bixbys counterclaimed for shareholder oppression. The District Court dismissed the oppression claim under Rule 41(b), denied compensation for the class B shares, and adopted Wyo-Ben's valuation of the class A shares. Four Bixby shareholders appealed; three other family members voluntarily dismissed their claims before the appeal was decided.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Remand for determination of the value of Harlan Bixby's class B shares and a new award of the value of all of his shares consistent with the opinion. The dismissal of the oppression claim, denial of class B payments to Ryan, Parker, and Hayden Bixby, and valuation of the class A shares remain affirmed.

CASES CITED

- Hansen v. 75 Ranch Co., 1998 MT 77, ¶ 20, 288 Mont. 310, 957 P.2d 32
- In re Osorio Irrevocable Trust, 2014 MT 286, ¶¶ 7-8, 376 Mont. 524, 337 P.3d 87
- Greater Missoula Area Fedn. of Early Childhood Educ. v. Child Start, Inc., 2009 MT 362, ¶ 23, 353 Mont. 201, 219 P.3d 881
- Flight Eng'rs Int'l Ass'n v. Cont'l Air Lines, Inc., 297 F.2d 397 (9th Cir. 1961)
- Friends of the Earth, Inc. v. Laidlaw Envtl. Servs. (TOC), Inc., 528 U.S. 167, 180, 120 S. Ct. 693, 703-04 (2000)
- Pankratz Farms, Inc. v. Pankratz, 2004 MT 180, ¶¶ 76-78, 322 Mont. 133, 95 P.3d 671
- Fox v. 7L Bar Ranch Co., 198 Mont. 201, 209-10, 645 P.2d 929, 933 (1982)
- Daniels v. Thomas, Dean & Hoskins, Inc., 246 Mont. 125, 134, 137-38, 804 P.2d 359, 364, 366 (1990)
- Thisted v. Tower Mgmt. Corp., 147 Mont. 1, 14, 409 P.2d 813, 820 (1966)
- Maddox v. Norman, 206 Mont. 1, 15, 669 P.2d 230, 237 (1983)
- Blaine Bank of Montana v. Haugen, 260 Mont. 29, 35, 858 P.2d 14, 18 (1993)
- City of Great Falls v. Forbes, 2011 MT 12, ¶¶ 18-19, 359 Mont. 140, 247 P.3d 1086
- Rooney v. City of Cut Bank, 2012 MT 149, ¶ 25, 365 Mont. 375, 286 P.3d 241
- Pro Finish USA, LTD v. Johnson, 63 P.3d 288, 293 (Ariz. Ct. App. 2003)
- Brown v. Arp & Hammond Hardware Co., 141 P.3d 673, 683 (Wyo. 2006)
- In re 75,629 Shares of Common Stock of Trapp Family Lodge, Inc., 725 A.2d 927, 931 (Vt. 1999)

- Skelton Ranch, Inc. v. Pondera Co. Canal & Reservoir Co., 2014 MT 167, ¶ 27, 375 Mont. 327, 328 P.3d 644
- State v. Holman, 241 Mont. 238, 241, 786 P.2d 667, 669 (1990)
- State v. Trask, 234 Mont. 380, 385, 764 P.2d 1264, 1267 (1988)
- Willis v. Fertterer, 2013 MT 282, ¶ 35, 372 Mont. 108, 310 P.3d 544
- Stave v. Estate of Rutledge, 2005 MT 332, ¶ 21, 330 Mont. 28, 127 P.3d 365
- In re Marriage of Jensen, 193 Mont. 247, 252-53, 631 P.2d 700, 703 (1981)

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