

SUMMARY STATEMENT

A.C. & C.E. Investments, Inc. v. Eagle Creek Irrigation Company
Docket No. 49237

This appeal concerns an amendment to an irrigation company's bylaws and articles of incorporation. Eagle Creek Irrigation Company ("Eagle Creek") owns a water right with which it services its shareholder landowners in an area known as the Eagle Creek Subdivision, in Blaine County, Idaho. A.C.&C.E. Investments, Inc. ("AC&CE") is a shareholder of Eagle Creek and owns 15 acres of land within the Eagle Creek Subdivision.

Eagle Creek's original governing documents limited the total issuable shares and required Eagle Creek to hold all water rights acquired "in trust" for the benefit of the shareholders. By majority vote of the shareholders, Eagle Creek amended and restated its governing documents. The updated governing documents did not include the former trust language and increased the number of capital shares the corporation was authorized to issue. After Eagle Creek shareholders voted to approve the amendments, AC&CE brought suit.

Before the district court, AC&CE argued that Eagle Creek breached its fiduciary duty and sought a declaratory judgment that the proposed amendments were void. Additionally, AC&CE requested that the district court reinstate the trust and decree Eagle Creek still the trustee. The district court ultimately granted summary judgment for Eagle Creek, finding that (1) the complaint did not properly plead a derivative action, (2) AC&CE lacked standing to bring a direct claim because it had not suffered harm distinct from other shareholders, and (3) the amendments were validly adopted by a majority vote of the shareholders.

The Idaho Supreme Court concluded that AC&CE's claim concerning the increase in authorized capital shares was not ripe for disposition because no additional shares had been issued. The Court also concluded that AC&CE's remaining claims were derivative in nature, and that AC&CE had failed to comply with the pleading requirements for such claims under Rule 78 of the Idaho Rules of Civil Procedure. The Court then concluded that AC&CE did not have standing to bring its claims as a direct action. Accordingly, the Idaho Supreme Court affirmed the district court's grant of summary judgment.

Eagle Creek cross-appealed the denial of attorney fees by the district court. Eagle Creek also sought attorney fees as the prevailing party on appeal. The Court denied Eagle Creek's cross-appeal, concluding that Eagle Creek had not established that the district court abused its discretion in denying attorney fees below. Since Eagle Creek did not prevail in its cross-appeal, the Court explained that it "must also conclude that Eagle Creek is not the prevailing party [on appeal]." Thus, the Court also denied Eagle Creek's request for attorney fees on appeal.

******This summary constitutes no part of the opinion of the Court, but has been prepared by court staff for the convenience of the public.******