

SUPREME COURT OF RHODE ISLAND

Peck v. Jonathan Michael Builders, Inc.

940 A.2d 640 (R.I. 2008) · No. 2007-160-Appeal · Decided January 9, 2008

SUMMARY

The Rhode Island Supreme Court affirmed the appointment of a permanent receiver to supervise the liquidation of an insolvent corporation whose shareholders had unanimously voted to dissolve it. The court held that the Superior Court had authority under the Rhode Island Business Corporation Act to appoint a liquidating receiver under § 7-1.2-1314(a)(1)(vi), even though the corporation was insolvent.

CASE DETAILS

COURT	Supreme Court of Rhode Island
WRITING FOR THE COURT	Justice Flaherty; Chief Justice Williams; Justice Goldberg; Justice Suttell; Justice Robinson
JURISDICTION	Rhode Island
DECIDED	January 9, 2008
DOCKET	2007-160-Appeal
DISPOSITION	affirmed
PROCEDURAL POSTURE	Avalon Holdings, LLC, an objecting creditor, appealed the Superior Court's order appointing a permanent receiver to supervise liquidation and eventual dissolution of Jonathan Michael Builders, Inc., an insolvent corporation.
STANDARD OF REVIEW	Questions of law and statutory interpretation are reviewed de novo. When statutory language is clear and unambiguous, the court applies its plain and ordinary meaning, but it will not construe a statute to reach an absurd result.
PRECEDENTIAL VALUE	Published opinion of the Supreme Court of Rhode Island; binding precedent in Rhode Island.
PARTIES	Avalon Holdings, LLC v. Barbara A. Peck, Jeffrey Cote

TOPICS

- dissolution
- corporate law
- statutory interpretation
- appellate procedure
- civil procedure

PRACTICE AREAS

corporate law

dissolution

receivership

statutory interpretation

appellate procedure

QUESTIONS PRESENTED

1. Whether the Rhode Island Superior Court had statutory authority under the Rhode Island Business Corporation Act to appoint a receiver to supervise liquidation of an insolvent corporation after its shareholders voted to dissolve it.
2. Whether the court needed to reach the Superior Court's alternative assertion of inherent authority to appoint a receiver.

HOLDINGS

1. The Superior Court may supervise the liquidation of an insolvent corporation under G.L. 1956 § 7-1.2-1314(a)(1)(vi) by appointing a receiver after the corporation has adopted a resolution to dissolve under § 7-1.2-1302.

KEY QUOTATIONS

“We hold that the Superior Court may supervise the liquidation of an insolvent corporation under § 7-1.2-1314(a)(1)(vi) by appointing a receiver after the corporation has passed a resolution to dissolve under § 7-1.2-1302.” (645)

“Because the shareholders of JMB unanimously voted to dissolve the corporation, the hearing justice properly found that the Superior Court had jurisdiction to appoint a liquidating receiver under § 7-1.2-1314(a)(1)(vi).” (645)

FACTUAL BACKGROUND

Avalon sued Jonathan Michael Builders, Inc. for allegedly abandoning a residential construction project after receiving payment for materials and services. JMB was insolvent, and its only shareholders, Barbara Peck and Jeffrey Cote, voted unanimously to dissolve the corporation. They then sought court supervision of the liquidation and appointment of a permanent receiver, asserting that corporate assets were in danger of dissipation or loss.

PROCEDURAL HISTORY

Avalon had sued JMB for breach of contract and unjust enrichment. JMB's only shareholders, Barbara Peck and Jeffrey Cote, petitioned the Kent County Superior Court for appointment of a receiver, and the court appointed a temporary receiver. After the petition was amended to assert statutory grounds based on the shareholders' vote to dissolve JMB, the Superior Court held that it had statutory and inherent jurisdiction to appoint a permanent liquidating receiver and entered an order doing so. Avalon appealed to the Rhode Island Supreme Court, which affirmed on the statutory-ground issue and did not reach the alternate inherent-authority rationale.

DISPOSITION

affirmed

CASES CITED

- Rhode Island Depositors Economic Protection Corp. v. Bowen Court Associates, 763 A.2d 1005, 1007 (R.I. 2001)
- Accent Store Design, Inc. v. Marathon House, Inc., 674 A.2d 1223, 1226 (R.I. 1996)
- Kaya v. Partington, 681 A.2d 256, 261 (R.I. 1996)
- Defenders of Animals, Inc. v. Department of Environmental Management, 553 A.2d 541, 543 (R.I. 1989)

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