

UTAH SUPREME COURT

Matthews v. Olympus Construction, L.C.

215 P.3d 129 (Utah 2009) · Decided May 19, 2009

SUMMARY

The Utah Supreme Court held that a district court overseeing the judicial dissolution of a limited liability company had authority to establish an extended deadline for rejecting claims. The court concluded that the receiver was not bound by the ninety-day rejection period because the district court had not adopted the statutory claim-disposition procedures. It reversed attorney-fee awards because the claimant's statutory argument presented an issue of first impression and was not without merit.

CASE DETAILS

COURT	Utah Supreme Court
WRITING FOR THE COURT	Justice Wilkins; Chief Justice Durham; Associate Chief Justice Durrant; Justice Parrish; Justice Nehring
JURISDICTION	Utah
DECIDED	May 19, 2009
DISPOSITION	other
PROCEDURAL POSTURE	Petition for certiorari review of the Utah Court of Appeals' affirmance of the district court's authority to extend the claim-rejection deadline and its award of attorney fees.
STANDARD OF REVIEW	Statutory interpretation and whether a claim was without merit are reviewed for correctness. Whether a claim was not brought or asserted in good faith is reviewed for clear error, although the court did not reach that issue.
PRECEDENTIAL VALUE	Published Utah Supreme Court opinion; precedential
PARTIES	David C. Matthews v. Olympus Construction, L.C.

TOPICS

limited liability companies statutory interpretation attorney fees civil procedure appellate procedure

PRACTICE AREAS

civil procedure limited liability company law statutory interpretation attorney fees appellate procedure

QUESTIONS PRESENTED

1. Whether the Utah Revised Limited Liability Company Act required Olympus to reject Matthews's claim within ninety days after receipt, or whether the district court had authority in a judicially supervised dissolution to establish a different claim-rejection deadline.
2. Whether attorney fees could be awarded under Utah Code section 78B-5-825 when Matthews's statutory argument presented an issue of first impression and had a basis in law and fact.

HOLDINGS

1. In a judicially supervised dissolution, the district court has broad authority to direct the winding-up process and may fashion claim-disposition procedures rather than adopting the procedures in Utah Code section 48-2c-1805 or section 48-2c-1806.
2. A dissolved company or supervising court that adopts the claim-disposition procedures in section 48-2c-1805 must comply with all provisions of that section, including the ninety-day deadline for rejecting a claim.
3. Attorney fees were improperly awarded because Matthews's claim and statutory argument were not without merit.

KEY QUOTATIONS

“If it does not, it may fashion its own claim disposition procedures pursuant to the broad authority granted by part 12 of the Act.” (at 133)

“As such, Matthews' claim was not frivolous, had a basis in law and fact, and therefore was not without merit.” (at 135)

“We conclude that the court of appeals correctly interpreted the Utah Revised Limited Liability Company Act in holding that the district court had authority to set an extended deadline for rejection of claims against Olympus.” (at 135)

FACTUAL BACKGROUND

Olympus Construction retained Matthews to assist with a property purchase and paid him a \$200 commission. Matthews claimed that Olympus separately promised him a \$100,000 commission upon a future sale, but the promise was not in writing. After Olympus was judicially dissolved, its receiver established claim-filing and claim-resolution procedures; Matthews timely filed his claim, but the receiver did not reject it within ninety days. The district court later rejected the claim on summary judgment and awarded attorney fees, finding the claim meritless and brought in bad faith.

PROCEDURAL HISTORY

Olympus was judicially dissolved in the Third District Court, which appointed a receiver to wind up its affairs. Matthews filed a claim for an alleged \$100,000 real-estate commission. The district court extended the deadline for rejecting the claim, later granted summary judgment to the receiver, and awarded attorney fees to Olympus;

the court of appeals affirmed and awarded fees on appeal. The Utah Supreme Court granted certiorari, affirmed the extension of the claim-rejection deadline, and reversed the attorney-fee awards.

DISPOSITION

other

CASES CITED

- Regal Ins. Co. v. Canal Ins. Co., 2004 UT 19, 93 P.3d 99
- In re Sonnenreich, 2004 UT 3, 86 P.3d 712
- In re Kunz, 2004 UT 71, 99 P.3d 793
- Evans v. State, 963 P.2d 177, 184 (Utah 1998)
- State v. Hunt, 906 P.2d 811, 312 (Utah 1995)
- Warner v. DMG Color, Inc., 2000 UT 102, 20 P.3d 868
- Cady v. Johnson, 671 P.2d 149, 151 (Utah 1983)