SUPREME COURT OF ALABAMA

Moultrie v. Wall

172 So. 3d 828 (Ala. 2015) · Decided February 6, 2015

SUMMARY

The Alabama Supreme Court reviews a dispute concerning ownership, profit and loss allocations, management authority, and capital contributions in Autauga Automotive, LLC, which operated a Ford dealership. The circuit court found that Wall held a 90% interest in profits and losses, Moultrie held 10%, and Moultrie was divested of his interest after failing to satisfy a capital call. Moultrie appealed those determinations and related procedural rulings.

CASE DETAILS

COURT	Supreme Court of Alabama
WRITING FOR THE COURT	Bryan, Justice; Moore, C.J.; Stuart, J.; Parker, J.; Shaw, J.; Wise, J.; Murdock, J.; Main, J.; Bolin, J.
JURISDICTION	Alabama
DECIDED	February 6, 2015
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Moultrie appealed from a final judgment entered after a bench trial concerning the parties' ownership interests in Autauga Automotive, LLC. The circuit court held that Wall owned 90% and Moultrie owned 10% of the company's profits and losses, but that Moultrie was divested of his interest after failing to make a capital contribution.
STANDARD OF REVIEW	Because the circuit court heard ore tenus evidence during a bench trial, disputed factual findings were presumed correct and would not be reversed unless palpably erroneous or manifestly unjust. Conclusions of law and applications of law to facts were reviewed without that presumption, and questions of law were reviewed de novo.
PRECEDENTIAL VALUE	Published Alabama Supreme Court opinion; precedential.
PARTIES	Frank A. Moultrie v. Charles O. Wall II, Autauga Automotive, LLC

TOPICS

limited liability companies · contracts · contract interpretation · commercial litigation · civil procedure

PRACTICE AREAS

limited liability companies | contract law | commercial litigation | civil procedure

QUESTIONS PRESENTED

1. Whether the August 2009 agreement validly amended the LLC operating agreement to give Wall a 90% interest and Moultrie a 10% interest in the company's profits and losses.
2. Whether Moultrie was divested of his LLC interest after failing to respond to Wall's September 2012 capital call.
3. Whether Autauga Automotive was barred from participating as a party in the action under the LLC statute.

HOLDINGS

1. The circuit court properly concluded that the August 2009 agreement amended the operating agreement to give Wall a 90% interest and Moultrie a 10% interest in Autauga Automotive's profits and losses. The evidence, including testimony concerning the lost signed writing, established the existence, execution, contents, and loss of the written amendment.
2. Moultrie was not divested of his 10% interest because the operating agreement required a meeting of all members before the company decided that a substantial capital contribution was necessary and members would be required to contribute proportionate amounts to preserve their ownership interests. Wall's unilateral capital call without such a meeting did not comply with the operating agreement.
3. The court declined to consider Moultrie's argument that Autauga Automotive was barred by statute from participating as a party because Moultrie had not presented that specific statutory argument to the circuit court.

KEY QUOTATIONS

> *"we conclude that a decision that the company needs a substantial capital contribution and that all members will be required to provide a percentage of that contribution in order to maintain their ownership interest in the company is a "company decision or action" that required a meeting of all members of Autauga Automotive before approval or implementation."* (at 846)

> *"Because the terms of the operating agreement required such a meeting and because Wall failed to comply with the terms of the operating agreement in this regard, the circuit court's judgment is reversed insofar as it held that Moultrie was divested of his 10% interest in Autauga Automotive"* (at 847)

FACTUAL BACKGROUND

Wall and Jesse Mariner formed Autauga Automotive, LLC to acquire and operate a Ford dealership, and the company's amended operating documents identified Moultrie as holding a 51% interest and Wall as holding a 49% interest. The parties later executed an August 2009 written agreement providing that Moultrie would own and receive distributions on only 10% of the business, and the court found that a signed copy of that agreement had existed but was lost or stolen. Moultrie contributed no capital despite being expected to contribute approximately $1,003,300. In 2012, Wall made a capital call on Moultrie without first holding the member meeting required by the operating agreement, and the circuit court treated Moultrie's failure to contribute as a divestiture of his interest.

PROCEDURAL HISTORY

Wall and Autauga Automotive filed an action seeking injunctive and declaratory relief concerning control and ownership of the LLC. Moultrie filed counterclaims, including claims concerning Wall's management and the parties' operating agreement. After a bench trial and related interim proceedings, the circuit court entered judgment recognizing the 90/10 allocation and divesting Moultrie of his interest for failure to answer a capital call. The Supreme Court of Alabama affirmed the 90/10 allocation, reversed the divestiture ruling, and remanded with instructions to enter judgment for Moultrie on the divestiture claim.

DISPOSITION

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reversed_and_remanded
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REMAND INSTRUCTIONS

The circuit court was instructed to enter a judgment in favor of Moultrie on the claim that he was divested of his interest in Autauga Automotive by failing to contribute additional capital pursuant to Wall's September 2012 capital call.

CASES CITED

- Moultrie v. Wall, 143 So. 3d 128 (Ala. 2013)
- Ex parte Moultrie, 170 So. 3d 721 (Ala. 2013) (table)
- Kennedy v. Boles Invs., Inc., 53 So. 3d 60 (Ala. 2010)
- Water Works & Sanitary Sewer Bd. v. Parks, 977 So. 2d 440 (Ala. 2007)
- Fadalla v. Fadalla, 929 So. 2d 429 (Ala. 2005)
- Philpot v. State, 843 So. 2d 122 (Ala. 2002)
- Wattman v. Rowell, 913 So. 2d 1083 (Ala. 2005)
- Dennis v. Dobbs, 474 So. 2d 77 (Ala. 1985)
- Retail Developers of Alabama, LLC v. East Gadsden Golf Club, Inc., 985 So. 2d 924 (Ala. 2007)
- Alabama Republican Party v. McGinley, 893 So. 2d 337 (Ala. 2004)
- Birmingham Hockey Club, Inc. v. National Council on Compensation Insurance, Inc., 827 So. 2d 73 (Ala. 2002)
- Sea Calm Shipping Co. v. Cooks, 565 So. 2d 212 (Ala. 1990)
- Defore v. Bourjois, Inc., 268 Ala. 228, 105 So. 2d 846 (1958)
- Ex parte Elba Gen. Hosp. & Nursing Home, Inc., 828 So. 2d 308 (Ala. 2001)
- Cantu v. State, 660 So. 2d 1026 (Ala. 1995)
- State v. Applegate, 39 Or. App. 17, 591 P.2d 371 (1979)

- L.B. Whitfield Family Trust, LLC v. Whitfield, 150 So. 3d 171 (Ala. 2014)
- Bradley v. Nall, 505 So. 2d 1062 (Ala. 1987)
- Russell v. State, 51 So. 3d 1026 (Ala. 2010)
- Ex parte Seymour, 946 So. 2d 536 (Ala. 2006)
- Advantage Sales of Alabama v. Clemons, 979 So. 2d 114 (Ala. Civ. App. 2007)
- Ex parte Wal-Mart, Inc., 809 So. 2d 818 (Ala. 2001)
- Ex parte Wal-Mart Stores, Inc., 682 So. 2d 65 (Ala. 1996)
- Sweeney v. Purvis, 665 So. 2d 926 (Ala. 1995)
- Harbison v. Strickland, 900 So. 2d 385 (Ala. 2005)