

MAR 27 2007

**HAROLD S. MARENUS, CLERK
U.S. BKCY. APP. PANEL
OF THE NINTH CIRCUIT**

NOT FOR PUBLICATION

**UNITED STATES BANKRUPTCY APPELLATE PANEL
OF THE NINTH CIRCUIT**

In re:)	BAP Nos.	CC-06-1228-PaMaB
)		CC-06-1249-PaMaB
MILTON LEE VANDEVORT,)		(consolidated)
)		
Debtor.)		
_____)	Bk. No.	LA 05-23588-EC
MILTON LEE VANDEVORT,)		
)		
Appellant,)		
v.)	<u>MEMORANDUM</u> ¹	
)		
CREDITOR'S ADJUSTMENT BUREAU,)		
INC.,)		
)		
Appellee.)		
_____)		

Argued and Submitted on February 22, 2007
at Pasadena, California

Filed - March 27, 2007

Appeal from the United States Bankruptcy Court
for the Central District of California

Honorable Ellen Carroll, Bankruptcy Judge, Presiding.

Before: PAPPAS, MARLAR² and BRANDT, Bankruptcy Judges

¹ This disposition is not appropriate for publication. Although it may be cited for whatever persuasive value it may have (see Fed. R. App. P. 32.1), it has no precedential value. See 9th Cir. BAP Rule 8013-1.

² Hon. James M. Marlar, United States Bankruptcy Judge for the District of Arizona, sitting by designation.

1 This is an appeal of two orders of the bankruptcy court: one
2 denying chapter 7 debtor Milton Lee Vandevort's motion to continue
3 a hearing on Vandevort's objection to Creditor's Adjustment Bureau
4 ("CAB")'s proof of claim; and the other, an order denying
5 Vandevort's objection to CAB's claim. We AFFIRM.

6
7 **FACTS**

8 This appeal, and the underlying litigation, stem from
9 confusion over the correct name of a corporation.

10 On August 15, 1994, Vandevort, doing business as Engineering
11 Consultants International ("ECI"), filed an action to recover
12 money damages against "Robert E. McKee, a California corporation,
13 et al." in the Los Angeles Superior Court (the "Superior Court
14 Action").³ Robert E. McKee, a Nevada corporation,⁴ answered the
15 complaint on March 17, 1995. Throughout the Superior Court
16 Action, all pleadings filed by the defendant identified the
17 company as a Nevada corporation, and never as a California
18 corporation. However, there is no indication in the record that
19 Vandevort ever corrected the caption of the Superior Court Action

20
21 ³ As was apparently his business practice, Vandevort, d/b/a
22 ECI, obtained a limited assignment of the rights to collect sums
23 due under a construction subcontract from a company called
24 Transpac Fiber Optics. Transpac had subcontracted with McKee to
25 perform the electrical work in a building in Glendale, California.
Although we do not have the full text of the complaint filed in
the Superior Court Action, we assume that Vandevort asserted a
claim for damages against McKee for breach of contract.

26 ⁴ Where it does not compound the confusion, we will shorten
27 the various names used to refer to the McKee corporate entity as
28 follows: Robert E. McKee, a California corporation ("McKee
California"); Robert E. McKee, a Nevada corporation ("McKee
Nevada"); Robert E. McKee, Inc. (where there is no state
designation) ("McKee, Inc.").

1 to reflect that McKee was a Nevada corporation. As a result, all
2 copies of documents in the record relating to the Superior Court
3 Action bear the "Robert E. McKee, Inc., a California corporation"
4 caption on the first page.

5 Trial in the Superior Court Action occurred in July and
6 August, 2001.⁵ Vandevort lost, and on February 6, 2002, a
7 judgment was entered by the state court in favor of "Robert E.
8 McKee, Inc." and against Vandevort, d/b/a ECI, for \$36,287.45 in
9 costs, and \$693,905.70 in attorney's fees, incurred in defending
10 the action (the "Judgment"). Vandevort appealed the Judgment and
11 lost again.

12 In a document dated May 13, 2004, using the name "Robert E.
13 McKee, Inc." with no state of incorporation designated, the McKee
14 entity assigned the Judgment to CAB. In a document executed by
15 CAB's counsel, dated April 21, 2004, CAB acknowledged the
16 assignment of the Judgment to CAB from "Robert E. McKee, Inc., a
17 California corporation." Both the assignment and the
18 acknowledgment of assignment were filed with the Superior Court on
19 June 25, 2004. However, on July 20, 2005, CAB filed a
20 Clarification of Assignment and Acceptance with the Superior
21 Court, in which it informed the court that it had erroneously
22 stated that McKee was a California corporation, and identified the
23 true assignor of the Judgment as "Robert E. McKee, a Nevada
24 corporation."

25

26 ⁵ The copy of the Judgment in the Superior Court Action in
27 our record indicates that trial concluded on August 7, 2002. We
28 assume this is a clerical error and that the correct date was
August 7, 2001, because Judgment was entered in the action on
February 6, 2002.

1 Vandevort filed a petition for relief under chapter 7 of the
2 Bankruptcy Code⁶ on January 15, 2005, in the District of Wyoming.
3 In his Schedule F, Vandevort listed a judgment claim by "Robert E.
4 McKee" (with no indication of corporate status or state of
5 incorporation) for \$912,648.00. The bankruptcy case was
6 transferred to the Central District of California on June 15,
7 2005.

8 CAB filed its proof of claim in the bankruptcy court on or
9 about March 23, 2006, asserting an unsecured, nonpriority claim
10 against Vandevort which, with post-judgment accrued interest and
11 costs and attorneys fees for the appeal, totaled \$984,398.82.⁷
12 On May 8, 2006, Vandevort filed an objection to CAB's claim. In
13 it, he argued that because the claim was based on the Judgment
14 that was entered in favor of "Robert E. McKee, a California
15 corporation," and because such a corporation did not exist, that
16 CAB's assignment was void as having been taken from a non-existent
17 California corporation. Thus, Vandevort contended, CAB's claim
18 should be disallowed.

19 A hearing on Vandevort's objection to CAB's claim was
20 scheduled for June 7, 2006. On May 30, 2006, Vandevort filed a
21 Motion to (1) Continue the Hearing on the Objection to Claim No.7;
22

23 ⁶ Unless otherwise indicated, all chapter, section and rule
24 references are to the Bankruptcy Code, 11 U.S.C. §§ 101-1330, and
25 to the Federal Rules of Bankruptcy Procedure, Rules 1001-9036, as
26 enacted and promulgated prior to the effective date (October 17,
2005) of most of the provisions of the Bankruptcy Abuse Prevention
and Consumer Protection Act of 2005, Pub. L. 109-8, April 20,
2005, 119 Stat. 23.

27 ⁷ CAB calculated the claim as follows: \$730,193.15,
28 Judgment; \$202,860.84, post-Judgment interest, April 12, 2002 to
January 20, 2005 at ten percent; \$47,831.35, costs and attorney's
fees after unsuccessful appeal; \$3,513.48, interest on costs and
attorney's fees after unsuccessful appeal. Total: \$984,398.82.

1 and/or (2) Treat the Initial Hearing on the Objection to Claim No.
2 7 as a Status Conference. Vandevort argued that he needed
3 additional time to conduct discovery on "what McKee [Nevada]'s
4 intent was in not filing a motion to dismiss or amend the
5 complaint in the [Superior Court Action] so that McKee
6 [California] was not a defendant therein and McKee [Nevada] was
7 properly substituted in as a defendant." Vandevort also sought
8 the continuance because he alleged that his attorney would not be
9 able to attend the hearing on June 7, 2006.⁸

10 CAB responded to Vandevort's motion on June 5, 2006. It
11 alleged that no discovery was needed because CAB's intent was
12 irrelevant; that McKee Nevada had answered the complaint in state
13 court and submitted all subsequent pleadings in its correct name;
14 and, in any case, that McKee Nevada, as a defendant in the
15 Superior Court Action, had no power to amend the complaint - only
16 the plaintiff may do that.

17 Immediately before the hearing, on June 6, 2006, Vandevort
18 filed a reply to CAB's response, adding the further allegation
19 that, even if the McKee in the State Court Action was a Nevada
20 corporation, it had not established its authority under Nevada law
21 and its corporate governing instruments to defend itself and
22 pursue damages in the State Court Action or to assign the
23 Judgment.

24 The bankruptcy court conducted the hearing on Vandevort's
25 objection to CAB's claim on June 7, 2006. The court denied both
26 Vandevort's motion for a continuance motion and his objection to
27 CAB's claim, finding that, based upon the record, the issues

28 ⁸ Ultimately, Vandevort's attorney's partner appeared and
represented him at the June 7 hearing.

1 raised in Vandevort's objection could be resolved as a matter of
2 California and Nevada law, and that discovery and continuance of
3 the hearing were unnecessary.

4 In reaching its decision, the bankruptcy court relied upon
5 Cal. Code Civ. Proc. §§ 475 and 473, Cal. Corp. Code § 2115(b),
6 and Nevada Revised Statutes § 78.585. The court concluded that
7 § 475 directs the court to disregard any error or defect in a
8 complaint which, in the opinion of the court, does not affect the
9 substantial rights of the parties. Section 473, in turn, empowers
10 a court to amend pleadings "if the proper defendant is before the
11 court, even there under a wrong name, and if the defendant is the
12 party the plaintiff intended to sue. . . ."

13 Regarding Vandevort's suggestion that, if McKee had been a
14 Nevada corporation, it was a dissolved corporation and thus did
15 not have the power to defend the Superior Court Action nor to
16 assign the Judgment to CAB, the court first examined whether
17 California or Nevada law applied to the actions of a dissolved
18 Nevada corporation operating in California. Deciding that
19 California law did not control, the court looked to Nevada Revised
20 Statutes § 78.585, which details the powers of a dissolved Nevada
21 corporation. It found that since McKee Nevada was not dissolved
22 until 1997, three years after Vandevort commenced his lawsuit, the
23 company was empowered by the Nevada statutes to defend the action.
24 Nev. Rev. Stat. 78.585. In addition, although the suit continued
25 after dissolution, the court noted that, under Nevada law, a
26 dissolved corporation continues as a body corporate for the
27 purpose of defending lawsuits, meeting obligations and disbursing
28 assets.

1 Based on its analysis of the statutes, the court concluded:

2 It is clear that the Debtor intended and, in
3 fact, did sue McKee, the Nevada corporation,
4 even though he had a slightly incorrect name
5 for that corporation [in the caption of the
6 complaint]. In every pleading up until the
7 time of entry of judgment, McKee, the Nevada
8 corporation, attempted to advise the court
9 that its correct name was McKee, a Nevada
10 corporation, by putting that on every
11 pleading.

12 So, there is no evidence that McKee was trying
13 to mislead the Court at that time. And whether
14 the defendant in that lawsuit was named McKee,
15 a California corporation, or McKee, a Nevada
16 Corporation, it appears that precisely the
17 same result would have occurred and that this
18 slight misnomer was nothing more than a
19 technicality that had no effect on the actual
20 outcome of the litigation. . . .

21 [The argument] that McKee had no rights to the
22 judgment because it was dissolved in 1996 and
23 therefore had no right to do business . . . is
24 faulty. Even though McKee may have had no
25 right to conduct business, it did have the
26 right to litigate suits against it, to collect
27 and discharge its obligations, and to disburse
28 its assets. I understand the Debtor commenced
this suit before the dissolution of the
corporation took place and it was based on
claims that arose before the dissolution of
the corporation. McKee clearly had the power
to defend the suit and to assign its judgment
to [CAB]. For all these reasons, I am
overruling the Debtor's objection to this
claim.

21 Tr. Hr'g 8:15 - 9:16 (June 7, 2006).

22 The bankruptcy court issued two orders following the hearing.
23 In the first order, dated June 7, 2006, the court denied
24 Vandevort's Motion to (1) Continue the Hearing on the Objection to
25 Claim No. 7; and/or (2) Treat the Initial Hearing on the Objection
26 to Claim No. 7 as a Status Conference. Vandevort timely appealed
27 this order on June 19, 2006 (a Monday). The court issued a second
28 order dated June 30, 2006 (entered on July 3, 2006), overruling

1 Vandevort's objection to CAB's Claim no. 7 and denying the
2 continuance motion. Vandevort also timely appealed this order on
3 July 13, 2006. We consolidated the two appeals on October 24,
4 2006.

5 **JURISDICTION**

6 The bankruptcy court had jurisdiction pursuant to 28 U.S.C.
7 §§ 1334 and 157(b)(2)(B). We have jurisdiction pursuant to 28
8 U.S.C. § 158(b).

9
10 **ISSUES**

- 11 1. Whether the bankruptcy court erred in denying Vandevort's
12 objection to CAB's claim based upon state law.
13 2. Whether the bankruptcy court abused its discretion in denying
14 Vandevort's motion to continue the hearing on his objection
15 to CAB's claim in order to conduct discovery.
16

17 **STANDARDS OF REVIEW**

18 We review a bankruptcy court's interpretation of state law de
19 novo. Smith v. Lachter (In re Smith), 352 B.R. 702, 706 (9th Cir.
20 BAP 2006). A decision to deny a continuance is reviewed for abuse
21 of discretion. Orr v. Bank of America, 285 F.3d 764, 783 (9th
22 Cir. 2002). Discovery decisions are reviewed for abuse of
23 discretion. Cacique v. Robert Reiser Co., 169 F.3d 619, 622 (9th
24 Cir. 1999).
25
26
27
28

1 also found that, whether the defendant was named McKee California,
2 or McKee Nevada, "there was no evidence that McKee was trying to
3 mislead the [state] court" and "precisely the same result would
4 have occurred and that this slight misnomer was nothing more than
5 a technicality that had no effect on the actual outcome of the
6 litigation." Tr. Hr'g 8:25-9:1.

7 The validity of CAB's claim in Vandevort's bankruptcy case is
8 measured under state law. Mandalay Resort Group v. Miller (In re
9 Miller), 292 B.R. 409, 412 (9th Cir. BAP 2003); § 502(b)(1)
10 (providing that the bankruptcy court shall allow a claim except to
11 the extent that such claim is unenforceable against the debtor
12 under "applicable" law.) Under California law, if there was an
13 error in the complaint commencing an action, but the error had no
14 effect on the result, a state court would be compelled to
15 disregard the error. Cal. Code Civ. Pro. § 475(2006) provides
16 that:

17 The court must, in every stage of an action,
18 disregard any error, improper ruling,
19 instruction, or defect, in the pleadings or
20 proceedings which, in the opinion of the
21 court, does not affect the substantial rights
22 of the parties. No judgment, decision, or
decree shall be reversed or affected by reason
of any error, ruling, instruction, or defect,
unless it shall appear from the record that
such error, ruling, instruction or defect was
prejudicial, and also that by reason of such

23
24 ¹⁰(...continued)
25 in our analysis. Given the long history of pleadings uniformly
26 submitted in the Superior Court Action by the McKee entity with
27 the "Nevada" designation, we do not consider significant an error
28 in submission of a single pleading after entry of the Judgment by
the state court. Moreover, the acknowledgment was signed by an
attorney new to the case, who thereafter submitted a Clarification
to the state court in which he stated that the California
designation was erroneous. In addition, Vandevort offered no
evidence to indicate that this was anything other than an error
committed by counsel.

1 error, ruling, instruction, or defect the said
2 party complaining or appealing sustained and
3 suffered substantial injury, and that a
4 different result would have been probable if
5 such error, ruling, instruction, or defect had
6 not occurred or existed.

7 There is nothing in the record to dispute the bankruptcy
8 court's finding that Vandevort's designation of McKee California,
9 as the defendant in the original state court complaint, was an
10 error. Nor did Vandevort propose discovery on this question.
11 Indeed, the record is clear that the company that participated
12 throughout the Superior Court Action was a Nevada corporation.
13 There is also no evidence that the error in the caption of the
14 complaint, which was perpetuated in subsequent pleadings filed in
15 the Superior Court Action, affected any substantial rights of the
16 parties to that action or resulted in any prejudice to Vandevort.
17 Finally, we agree with the bankruptcy court that there is no
18 evidence that a different result would have occurred in the
19 Superior Court Action had the error not occurred. As a result,
20 under a plain reading of § 475, the bankruptcy court properly
21 disregarded the error, and the validity of the Judgment was not
22 affected.¹¹

23 Although the bankruptcy court did not rely on case law, the
24 consistent rule in California has been that courts may disregard
25 errors in pleadings, especially where, as here, the error is in

26 ¹¹ The bankruptcy court also noted that under Cal. Code Civ.
27 Proc. § 473, the state court, if asked, was free to amend
28 pleadings in furtherance of justice. This statutory provision
allowing courts to permit amendments in furtherance of justice has
received a very liberal interpretation by the courts of
California. Atkinson v. Elks Corp., 109 Cal. App.4th 739, 758
(Cal. Ct. App. 2003) (citing Klopstock v. Superior Court, 17 Cal.2d
13, 19 (1941)).

1 the caption of the complaint and not the body of the pleadings.
2 Bell v. Tri-City Hospital Dist.,, 196 Cal. App.3d 438, 445-46
3 (Cal. Ct. App. 1987) ("In determining who the parties to an action
4 are, the whole body of the complaint is to be taken into account,
5 and not the caption merely.") The California approach is
6 consistent with federal practice. See FED. R. CIV. P. 8(f) ("All
7 pleadings shall be so construed as to do substantial justice.");
8 5A CHARLES ALAN WRIGHT & ARTHUR R. MILLER, FED. PRAC. & PROC. § 1321 (3rd
9 ed. 2004) ("[T]he caption is not determinative as to the identity
10 of the parties to the action").

11 There is additional support in the record for the bankruptcy
12 court's conclusion that McKee Nevada, not McKee California, was
13 the defendant in the Superior Court Action. Public records
14 disclose that, during the pendency of the Superior Court Action,
15 the only McKee corporate entity registered to do business with the
16 California Secretary of State was McKee Nevada. Further,
17 Vandevort should have been aware that, at the time of the Superior
18 Court Action, the defendant he was litigating with was McKee
19 Nevada. In a letter dated November 19, 1997, from Vandevort to
20 Noel Watson of the Jacobs Engineering Group, the corporate parent
21 of McKee Nevada, Vandevort refers to Watson's declaration filed in
22 the State Court Action. ("In your declaration you stated that
23 Jacobs has thousands of on going projects."). In that
24 declaration, Watson explains that "In 1987 Jacobs acquired Robert
25 E. McKee, Inc. ("McKee"), a general contractor. McKee is now a
26 dissolved Nevada corporation." (Emphasis added.)

27 For all these reasons, we conclude that the bankruptcy court
28 did not err in determining that, based upon the evidence in the

1 record and California state law, McKee Nevada, not McKee
2 California, was the defendant that participated in the Superior
3 Court Action and, consequently, the holder of the Judgment entered
4 in that action.¹²

6 **B.**

7 Having determined that McKee Nevada owned the Judgment, we
8 now turn to Vandevort's alternative argument that CAB could not
9 take an assignment of the Judgment from McKee Nevada, because that
10 corporation had been dissolved at the time the Judgment was
11 entered in 2002.

12 More particularly, Vandevort argues that, even if McKee
13 Nevada, defended the Superior Court Action, received a Judgment,

14 ¹² Before leaving the discussion of McKee California, we note
15 that Vandevort attached a document to his Reply Brief which
16 appears to be a copy of a contract between "Robert E. McKee
17 Construction, Inc., a California Corporation," and the City of
18 Glendale. In his argument, Vandevort suggests this document
19 shows that the only McKee entity operating during the Superior
20 Court Action was McKee California. Vandevort also relies upon
21 this document to assert in his Reply Brief that "Only Robert E.
22 McKee, Inc., a California corporation, had the contractor's
23 license and entered into the contract that was the basis of the
24 suit."

25 We can not discern whether this document was ever submitted
26 to the bankruptcy court. It does not appear in the excerpts of
27 record. It is far too late to spring new evidence on CAB and the
28 Panel in a Reply Brief.

Moreover, the import of this attachment to Vandevort's brief
is, at best, suspect. The "contract" does not appear to be a
complete copy nor does it contain any signatures or other
indication that it was ever executed or effective. It is dated
1990, and thus is not probative as to the existence of any
corporate entities during the time of the Superior Court Action
from 1994 to 2002. The document makes no reference to a
contractor's license, and an entity known as "Robert E. McKee
Construction, Inc., a California corporation" cannot be assumed to
be the same entity as "Robert E. McKee, Inc., a California
corporation." For these reasons, we decline to assign any
significance to this tardy submission.

1 and assigned that Judgment to CAB, such is of no consequence
2 because it had been dissolved in 1996. While Vandevort's argument
3 may have support as a matter of common law, both California and
4 Nevada have enacted statutes that nullify the usual common law
5 rules and allow dissolved corporations to wind down their business
6 affairs. As a result, McKee Nevada, could indeed defend the
7 action and assign the Judgment to CAB.

8 The bankruptcy court correctly decided that the California
9 statutes concerning powers of dissolved corporations do not apply
10 to foreign corporations doing business in California. According
11 to § 2115(b) of the California Corporations Code, a foreign
12 corporation doing business in California is subject to certain
13 enumerated provisions of the California Corporations Code "to the
14 exclusion of the law of the jurisdiction in which it is
15 incorporated." The section of the California Corporations Code
16 governing powers of dissolved corporations, § 2001, is not among
17 those listed in § 2115(b). Therefore, California law does not
18 override the powers of a dissolved Nevada corporation under Nevada
19 law doing business in California.¹³ Nev. Rev. Stat. 78.585(1)

21 ¹³ We note, however, that even if California law were to
22 apply to the powers of a dissolved Nevada corporation, California
23 law is substantially identical to Nevada law.

24 A corporation which is dissolved nevertheless
25 continues to exist for the purpose of winding
26 up its affairs, prosecuting and defending
27 actions by or against it and enabling it to
28 collect and discharge obligations, dispose of
and convey its property and collect and divide
its assets, but not for the purpose of
continuing business except so far as necessary
for the winding up thereof.

CAL. CORP. CODE § 2010(a) (emphasis added).

1 (2006), which the bankruptcy court correctly consulted, provides:

2 The dissolution of a corporation does not
3 impair any remedy or cause of action available
4 to or against it or its directors, officers or
5 shareholders arising before its dissolution
6 and commenced within 2 years after the date of
7 dissolution. It continues as a body corporate
8 for the purpose of prosecuting and defending
9 suits, actions, proceedings and claims of any
10 kind and character by or against it and
11 enabling it gradually to settle and close its
12 business, to collect and discharge its
13 obligations, to dispose of and convey its
14 property, and to distribute its assets, but
15 not for the purpose of continuing the business
16 for which it was established.

17 (Emphasis added.) The Supreme Court of Nevada has ruled that Nev.
18 Rev. Stat. 78.585 abrogated the common law rule by giving a
19 dissolved Nevada corporation the power to sue and be sued and
20 dispose of property. Kelly Broadcasting, Inc. v. Sovereign
21 Broadcast, Inc., 96 Nev. 188, 190 (1980). As appears undisputed
22 in the record, the bankruptcy court found that the Superior Court
23 Action, commenced in 1994, was based on claims arising before
24 dissolution of McKee Nevada. Thus, based on the facts in the
25 record, and the unambiguous authority conferred on a dissolved
26 Nevada corporation by Nev. Rev. Stat. 78.585, McKee Nevada could
27 defend the Superior Court Action, collect its obligations, and
28 convey its assets. Or, in the bankruptcy court's words, "McKee
[Nevada] clearly had the power to defend the suit and to assign
its judgment to [CAB]." Tr. Hr'g 9:14-16.

Since CAB received a valid assignment of the Judgment against
Vandevort from McKee Nevada, under § 502(b)(1), it held an
allowable claim in Vandevort's bankruptcy case. The bankruptcy
court did not err in denying Vandevort's objection to CAB's claim.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

C.

In addition, for all the above reasons, the bankruptcy court did not abuse its discretion in denying Vandevort's motion for a continuance of the hearing to conduct discovery. He proposed no relevant discovery, and the material facts were undisputed in the record. There was only a single McKee corporate entity (i.e., McKee Nevada) that participated in the Superior Court Action. That corporation recovered the Judgment, and then assigned it to CAB. The fact that other McKee entities might have existed at some time is immaterial. Given the issues framed by Vandevort's objection, allowing a continuance to pursue discovery concerning irrelevant or immaterial issues of fact would have been a "per se abuse of discretion." Cacique v. Robert Reiser Co., 169 F.3d 619, 622 (9th Cir. 1999).

Conclusion

We AFFIRM the orders of the bankruptcy court.