

STATE OF NORTH CAROLINA
MECKLENBURG COUNTY

IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION
21 CVS 7899

CONSOLIDATED ELECTRICAL
DISTRIBUTORS, INC.,

Plaintiff,

v.

HALLMARK LIGHTING, LLC;
RESILIENCE CAPITAL
PARTNERS, LLC; RESILIENCE
MANAGEMENT LLC; LUMINANCE
HOLDCO, INC.; and THE
RESILIENCE FUND IV, L.P.,

Defendants.

ORDER ON DESIGNATION

1. **THIS MATTER** is before the Court pursuant to the Determination Order issued on 6 December 2021 by the Honorable Paul Newby, Chief Justice of the Supreme Court of North Carolina, directing the undersigned to determine whether this action is properly designated as a mandatory complex business case in accord with N.C.G.S. § 7A-45.4(a).

2. Plaintiff Consolidated Electrical Distributors, Inc. (“Plaintiff”) filed the Complaint initiating this action in Mecklenburg County Superior Court on 17 May 2021, asserting claims for (i) breach of contract and fraud in the inducement/unfair and deceptive trade practices in violation of N.C.G.S. § 75-1.1 against Defendant Hallmark Lighting, LLC (“Hallmark”), (ii) quantum meruit against Defendant Resilience Capital Partners, LLC (“RCP”), and (iii) conversion and disregard for the corporate entity/piercing the corporate veil against both Hallmark and RCP. (*See* Compl. ¶¶ 83–131.)

3. On 16 November 2021, Plaintiff filed an Amended Complaint, adding the following new Defendants: Resilience Management, LLC (“Resilience Management”), Luminance HoldCo, Inc. (“Luminance”), and The Resilience Fund IV, L.P. (“Resilience Fund”; collectively with RCP, the “Resilience Defendants”). (*See* Am. Compl. ¶¶ 5, 7–8.) In its Amended Complaint, Plaintiff asserts claims for (i) breach of contract and fraud in the inducement/unfair and deceptive trade practices in violation of N.C.G.S. § 75-1.1 against Hallmark, (ii) quantum meruit against the Resilience Defendants, and (iii) conversion and disregard for the corporate entity/piercing the corporate veil against all Defendants. (*See* Am. Compl. ¶¶ 95–145.)

4. Resilience Management, Luminance, and Resilience Fund accepted service of the Amended Complaint on 1 December 2021. Resilience Management timely filed its Designation of Case to North Carolina Business Court Pursuant to N.C.G.S. § 7A-45.4(a)(1) (the “NOD”) on 3 December 2021. (Designation Case N.C. Bus. Ct. Pursuant to N.C.G.S. § 7A-45.4(a)(1) 1 [hereinafter “NOD”].)

5. This case arises out of a contract dispute. According to the Amended Complaint, in May 2019, Plaintiff issued a purchase order for custom electrical fixtures to Hallmark. (*See* Am. Compl. ¶¶ 33–36.) Hallmark confirmed the order, and Plaintiff tendered an initial deposit to Hallmark in June 2019 and remitted the remaining balance in November 2019. (*See* Am. Compl. ¶¶ 37–38, 46.) After numerous delays and an additional payment by Plaintiff for “expedited delivery,” Hallmark finally delivered a partial shipment of incomplete and incorrect electrical

fixtures in February and March 2020. (See Am. Compl. ¶¶ 40, 45, 49–55, 58–59, 63–66.) Shortly after Plaintiff notified Hallmark of the deficient shipment, Hallmark informed Plaintiff that it was ceasing its operations. (See Am. Compl. ¶ 69.) Plaintiff then demanded a full refund, which Hallmark rejected. (See Am. Compl. ¶¶ 71, 73.)

6. Plaintiff alleges that Hallmark is controlled by some or all of the Resilience Defendants, (*see, e.g.*, Am. Compl. ¶¶ 22–24), who, Plaintiff contends, undercapitalized Hallmark so that it could not fund the manufacture of the electrical fixtures in compliance with the purchase order, (*see* Am. Compl. ¶¶ 62, 90). Plaintiff further alleges that the Resilience Defendants “intended to sell the assets of Defendant Hallmark, close down Defendant Hallmark, [and] reap the economic benefit of all funds received for orders not filled (including Plaintiff’s), with no intentions of fulfill[ing] the outstanding orders of Defendant Hallmark.” (Am. Compl. ¶ 81; *see also* ¶¶ 41, 70, 72, 87, 89–92, 94.)

7. Designation under section 7A-45.4(a)(1) is proper if the action involves a material issue related to “[d]isputes involving the law governing corporations, except charitable and religious organizations qualified under G.S. 55A-1-40(4) on the grounds of religious purpose, partnerships, and limited liability companies, including disputes arising under Chapters 55, 55A, 55B, 57D, and 59 of the General Statutes.”

8. In support of designation under this section, Resilience Management argues that the Amended Complaint includes allegations that the four Resilience Defendants are all somehow affiliated, including “oral representations of ownership, unquantified corporate or partnership interests, parent/subsidiary relationships, common

leadership, one entity conducting business as another entity, and/or one entity exercising operational control or management over another.” (NOD 5.) Resilience Management further contends that Plaintiff’s veil-piercing claims raise “questions of corporate structure, formalities, and activities governing different corporations and business entities” that are “inextricably intertwined with its breach of contract, fraud, and conversion claims.” (NOD 5.)

9. But a close review of the NOD reveals that Resilience Management’s basis for designation under section 7A-45.4(a)(1) relies solely on Plaintiff’s veil-piercing claim. This Court has long held that a claim for piercing the corporate veil, standing alone, is insufficient to support mandatory complex business case designation. *See, e.g., Narsi Dev. I, LLC v. Birkdale Real Est. Inv’rs, LLC*, 2021 NCBC LEXIS 21, at *4–5 (N.C. Super. Ct. Mar. 16, 2021); *129 LLC v. Allison Supply, Inc.*, 2016 NCBC LEXIS 193, at *2 (N.C. Super. Ct. Oct. 12, 2016); *Bullard v. Liberty Healthcare Servs. of Mary Gran Nursing, LLC*, No. 10 CVS 497, Order Denying Designation as Mandatory Complex Business Case, at 2 (N.C. Super. Ct. May 17, 2010) (unpublished). Because this case is primarily a collection action, on the one hand, and a fraud and unfair trade practices action, on the other, without the law governing corporations or LLCs relevant to either set of claims, the Court concludes that Resilience Management’s reliance on Plaintiff’s veil-piercing allegations is insufficient to support designation under section 7A-45.4(a)(1).

10. Based on the foregoing, the Court determines that this action is not properly designated as a mandatory complex business case in accord with N.C.G.S. § 7A-

45.4(a) at this time, and thus shall not be assigned to a Special Superior Court Judge for Complex Business Cases.

11. Consistent with the Determination Order, the Court hereby advises the Senior Resident Superior Court Judge of Judicial District 26 that this action is not properly designated as a mandatory complex business case so that the action may be treated as any other civil action, wherein the parties may pursue designation as a Rule 2.1 exceptional case with the Senior Resident Judge.

12. The Court's ruling is without prejudice to the right of any party to otherwise seek designation of this matter as a mandatory complex business case as provided under section 7A-45.4.

SO ORDERED, this the 7th day of December, 2021.

/s/ Louis A. Bledsoe, III
Louis A. Bledsoe, III
Chief Business Court Judge