APPELLATE DIVISION, SUPREME COURT OF THE STATE OF NEW YORK, FIRST DEPARTMENT

DTI-DSIC, LLC v. 930-DSIC, LLC

DTI-DSIC, LLC, 2026 NY Slip Op 03919 (Appellate Division Supreme Court of the State of New York First Department 2026) · No. Index No. 650762/25; Appeal No. 6950; Case No. 2025-05825 · Decided June 23, 2026

SUMMARY

The Appellate Division, First Department modified an order concerning claims arising from the forced sale of an LLC member's interest after default. The court dismissed the breach of contract claim against the managing member and the breach of fiduciary duty claim, but allowed the breach of contract claim against the company and the accounting claim to proceed. The decision applied Delaware law under the parties' operating agreement.

CASE DETAILS

COURT	Appellate Division, Supreme Court of the State of New York, First Department
WRITING FOR THE COURT	Renwick, P.J.; Scarpulla, J.; González, J.; Rodriguez, J.; O'Neill Levy, J.
JURISDICTION	New York Appellate Division, First Department
DECIDED	June 23, 2026
DOCKET	Index No. 650762/25; Appeal No. 6950; Case No. 2025-05825
DISPOSITION	other
PROCEDURAL POSTURE	Plaintiff appealed from an order of Supreme Court, New York County, denying defendants' motion to dismiss claims for breach of contract, breach of fiduciary duty, and an accounting.
STANDARD OF REVIEW	On a motion to dismiss, the court determines whether the pleaded facts state cognizable causes of action, accepting properly pleaded allegations as true. The Appellate Division reviewed the pleading sufficiency and the operating agreement as a matter of law.
PRECEDENTIAL VALUE	Published intermediate appellate decision; uncorrected and subject to revision before publication in the Official Reports.
PARTIES	930-DSIC, LLC, 930-DSIC Partner, LLC, other defendants v. DTI-DSIC, LLC

TOPICS

breach of contract | breach of fiduciary duty | accounting | remedies | appellate procedure

PRACTICE AREAS

contracts | corporate law | commercial litigation | remedies | appellate procedure

QUESTIONS PRESENTED

1. Whether DTI-DSIC adequately pleaded breach of contract against the Managing Member.
2. Whether the exercise of contractual discretion by the Managing Member supported a breach-of-fiduciary-duty claim.
3. Whether DTI-DSIC adequately pleaded breach of contract against the Company based on allegedly improper deductions from forced-sale proceeds.
4. Whether DTI-DSIC adequately pleaded a cause of action for an accounting.

HOLDINGS

1. The breach-of-contract claim against the Managing Member was properly dismissed because DTI-DSIC did not allege conduct that violated the operating agreement or that the Managing Member exercised its contractual authority in bad faith.
2. The breach-of-fiduciary-duty cause of action was properly dismissed because the Managing Member's exercise of contractual rights could not form the basis of that claim.
3. DTI-DSIC stated a breach-of-contract claim against the Company by alleging that the Company improperly reduced the proceeds of the forced sales.
4. DTI-DSIC sufficiently pleaded an accounting claim by alleging that it demanded an accounting of the forced-sale proceeds and that the Managing Member refused to provide one.

KEY QUOTATIONS

> *"The exercise of a contractual right cannot form the basis of a cause of action for breach of fiduciary duty"* (*2)

> *"Moreover, the accounting cause of action is not duplicative of the breach of contract cause of action because the two causes of action seek different remedies."* (*3)

FACTUAL BACKGROUND

DTI-DSIC, a Missouri LLC, invested $1.85 million in 930-DSIC Company, a Delaware LLC, for an 11.22% membership interest. After DTI-DSIC allegedly defaulted on obligations totaling $41,927, the Company and its Managing Member conducted two forced sales of portions or all of DTI-DSIC's membership interest under the Company's Delaware-law operating agreement. DTI-DSIC alleged that defendants improperly deducted amounts from the sale proceeds and withheld proceeds, and it demanded an accounting that the Managing Member refused to provide.

PROCEDURAL HISTORY

DTI-DSIC commenced an action concerning two forced sales of its membership interest in 930-DSIC Company and alleged improper deductions and withholding of sale proceeds. Supreme Court denied defendants' motion to dismiss the specified claims. The Appellate Division modified the order by dismissing the breach-of-contract claim against the Managing Member and the breach-of-fiduciary-duty claim, while otherwise affirming.

DISPOSITION

other

CASES CITED

- Construction Indus. Laborers Pension Fund v. Bingle, 2022 WL 4102492, *9, 2022 Del. Ch. LEXIS 223, *24 (Del. Ch. Sept. 6, 2022)
- Glaxo Group Ltd. v. DRIT LP, 248 A.3d 911, 916 (Del. 2021)
- Godfrey v. Spano, 13 N.Y.3d 358, 373 (2009)
- Nemec v. Shrader, 991 A.2d 1120, 1129 (Del. 2010)
- Nero v. Littleton, 1998 WL 229526, *4, 1998 Del. Ch. LEXIS 57, *14 (Del. Ch. Apr. 30, 1998)
- Gelfman v. Weeden Invs., L.P., 792 A.2d 977, 986-987 (Del. Ch. 2001)
- William Penn Partnership v. Saliba, 13 A.3d 749, 756 (Del. 2011)
