

**Variant Alternative Income Fund v Steel Riv. Sys.  
LLC**

2026 NY Slip Op 31313(U)

March 31, 2026

Supreme Court, New York County

Docket Number: Index No. 655893/2025

Judge: James d'Auguste

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This opinion is uncorrected and not selected for official publication.

SUPREME COURT OF THE STATE OF NEW YORK
NEW YORK COUNTY

PRESENT: Hon. James E. d'Auguste PART 55

Justice

-----X

VARIANT ALTERNATIVE INCOME FUND, PIER SPECIAL OPPORTUNITIES FUND LP, GREENHILL DEBT MANAGEMENT, LLC,

Plaintiffs,

- v -

STEEL RIVER SYSTEMS LLC,

Defendant.

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INDEX NO. 655893/2025

MOTION DATE 11/19/2025

MOTION SEQ. NO. 001

DECISION + ORDER ON MOTION

The following e-filed documents, listed by NYSCEF document number (Motion 001) 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30

were read on this motion & cross motion to/for STAY/COMPEL ANSWER

Upon the foregoing documents, defendant Steel River Systems, LLC's ("Steel River") motion to stay this action is denied and plaintiff Variant Alternative Income Fund ("Variant"), Pier Special Opportunities Fund, LP ("Pier"), and Greenhill Debt Management, LLP's ("Greenhill") (collectively "Plaintiffs") cross-motion to compel Steel River to file an answer is granted.

This enforcement action relates to a loan and service agreement and promissory note, entered into by the parties on December 22, 2022. The parties agreed to an additional eight promissory notes between December 22, 2022, and January 12, 2024. In August 2024, Steel River unsuccessfully attempted to restructure the parties' contractual arrangements. In September 2024, Variant sent Steel River its first correspondence asserting events of default. In October 2024, Variant filed a UCC statement asserting rights against certain assets being held by Steel River. In November 2024, Steel River commenced an action in the Southern District of New York asserting claims under New York UCC 9-624 (a) and the Racketeer Influenced and

Corrupt Organizations Act (“RICO”). *Steel River Systems, LLC v. Variant Alternative Income Fund, et al.*, 24 Civ. 8676 (SDNY).

In a comprehensive opinion, the Hon. Naomi Buchwald dismissed Steel River’s action, finding no merit to a variety of contentions, including, as relevant in this action, an assertion that the parties’ contractual arrangement was unlawfully usurious under New York law. NYSCEF Doc. No. 15. Familiarity with this decision is presumed. Judge Buchwald found that plaintiff’s allegation that the contractual interest rate exceeds 25% is premised upon an insupportably broad interpretation of “interest.” *Id.* at 14-15. Judge Buchwald found that “[o]nce all initial fees and expenses are paid . . . the remaining collections are paid as Preferred Return . . . [which] is well below the 25% criminal usury rate.” *Id.* at 18. After these payments are made, a contingent Additional Preferred Return is distributed using a percentage basis. *Id.* Judge Buchwald observed that, based upon the contractual arrangement’s “use of percentages rather than fixed amounts to distribute the Additional Preferred Return, the parties expected these payments to fluctuate.” *Id.* 19-20. Judge Buchwald also pointed out that Steel River’s failure to meet the financial performance requirements necessary to generate an Additional Preferred Return was not a contractual event of default. In the end, Judge Buchwald analyzed all of Steel River’s arguments and found them to be without merit. Steel River has appealed this ruling, which is still pending before the Second Circuit.

Plaintiffs attempt to claim that Greenhill is no longer a party to the federal proceeding and that dismissal of the RICO claim against Greenhill leaves Steel River without any defense or claim against Greenhill. NYSCEF Doc. No. 29 at 7. Steel River disagrees, arguing that contrary to Plaintiffs’ assertions, Greenhill is a party to the appeal as it voluntarily filed an appearance. Moreover, Steel River asserts Greenhill remains a party to the federal proceeding as it is an

interested/necessary party. In fact, "[i]t is well-established that a party to a contract which is the subject of the litigation is considered a necessary party" under federal law. *Ryan v Volpone Stamp Co.*, 107 F. Supp. 2d 369, 387 (S.D.N.Y. 2000). Steel River contends that as a party to the contract which seeks a judicial determination of usury, Greenhill remains an interested and affected party in the federal proceeding, regardless of its lender versus manager. Hence, it claims Plaintiffs' argument that the federal proceeding does not affect and/or dispose of the claims Greenhill has against Steel River is without merit. NYSCEF Doc. No. 29 at 7.

Additionally, while the cross-motion in the instant litigation is made only by plaintiffs Variant and Pier against Steel River LLC [NYSCEF Doc. No. 18], Greenhill submitted a Memorandum of Law in Opposition, and its attorney's Affirmation in Opposition to Steel River's motion for a stay. NYSCEF Doc. Nos. 24, 28. Also, Greenhill and Pier joined Variant's opposition to Steel River's motion for a preliminary injunction and Variant's motion to dismiss the Complaint in the federal action. NYSCEF Doc. No. 15 at 28. Finally, as Variant and Pier assert in their Memorandum of Law in Opposition to Steel River's motion to stay the proceedings Steel River has abandoned its allegedly frivolous RICO claim in the federal appeal, and with it any claim against co-plaintiff Greenhill. Thus, as Variant and Pier argue, it would be inappropriate to delay Greenhill's ability to pursue its claims against Steel River in this instant action, while a proceeding, to which it is no longer a party, is resolved. Finally, a stay would also not promote judicial efficiency. NYSCEF Doc. No. 22 at 6.

To be entitled to the requested stay of this action pending a resolution of the pending appeal of Judge Buchwald's decision, Steel River is required to demonstrate that the pending appeal is likely to resolve this litigation. *Hope's Windows v. Albro Metal Products Corp.*, 93 A.D.2d 771 (1st Dep't 1983). At oral argument, Steel River declined the Court's invitation to

agree to an entry of judgment should the Second Circuit affirm Judge Buchwald's decision. Under the circumstances, the Court declines to exercise its discretion to stay this action pending the outcome of federal appellate proceedings. Nonetheless, in the absence of finality in the federal action, Steel River is permitted to raise criminal usury as an affirmative defense in its answer filed in this litigation.

Steel River argues that if a stay is not granted herein, and if it ultimately succeeds on appeal in the federal action, it will have no option but to raise its usury claims and defenses in the instant case. NYSCEF Doc. No. 29 at 6. Additionally, Steel River contends that if the appeal goes its way, it has a plausible defense to judgment for which it would be entitled to discovery before responding to summary judgment. *Id.* At 8. The Court questions, and Steel River appears not to have explained in any papers why it was not obligated to bring all arguments, or why they may raise them in this Court, essentially strategically splitting defenses. "...[Steel River] premise their ... motion on their conclusion that [same] is warranted on claim-splitting...grounds. But because they failed to raise those defenses on their [prior] motion..., [Steel River] cannot now be heard... This conclusion holds especially true because ... defenses are supported entirely by facts that [Steel River] knew when they interposed their first motion..." *Melcher v Greenberg Traurig LLP*, 135 A.D.3d 547, 552-553 (1st Dept. 2016).

Indeed, the fact Steel River alleges to have additional, plausible defenses not raised in the federal action supports the proposition that a stay is improper here. However, Steel River has not yet answered, and the Court need not decide any of the alleged defenses Steel River claims to possess.

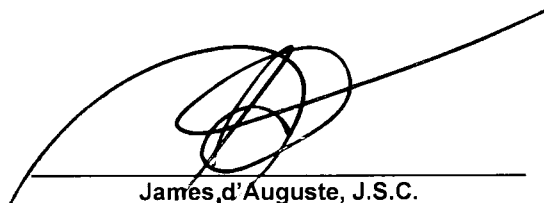
The Court concludes Steel River's position – that if it succeeds in federal court then the case ends, but if it does not succeed, the stay permits it to delay the state court case by several

months – does not meet the standard for a stay under CPLR 2201 in which, “...the court in which an action is pending may grant a stay of proceedings in a proper case, upon such terms as may be just.” Thus, the motion for a stay is denied.

Steel River will file an answer within 20 days of the date of this decision and order. Although Steel River’s time to answer was not stayed, the filing of an answer within the period provided herein will be deemed a timely response to the complaint. Finally, the parties are encouraged to participate in private mediation to determine if this matter can be resolved without a final adjudication by the Court, and the continued expenses such litigation entails.

Accordingly, the motion is denied and the cross-motion granted. This constitutes the decision and order of the Court.

3/31/2026  
DATE

  
James d'Auguste, J.S.C.

CHECK ONE:  CASE DISPOSED  DENIED  NON-FINAL DISPOSITION

APPLICATION:  GRANTED  GRANTED IN PART  OTHER

CHECK IF APPROPRIATE:  SETTLE ORDER  SUBMIT ORDER

INCLUDES TRANSFER/REASSIGN  FIDUCIARY APPOINTMENT  REFERENCE