

MX Reo Owner, LLC v Shalom
2026 NY Slip Op 31451(U)
April 6, 2026
Supreme Court, Kings County
Docket Number: Index No. 531474/2025
Judge: Peter P. Sweeney
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SUPREME COURT OF THE STATE OF NEW YORK.
COUNTY OF KINGS

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MX REO OWNER, LLC AND QUANTAFINANCE LLC,

Plaintiffs,

-against-

Decision and Order (MS 1)
Index No.: 531474/2025

ARIEL SHALOM AND LIAN DEVELOPMENT GROUP, LLC

Defendants.

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The following e-filed papers read herein:

NYSCEF Doc. Nos.:

Notice of Motion/Order to Show Cause/
Petition/Cross Motion and
Affidavits (Affirmations) Annexed _____

4-18, 20, 23-24

Opposing Affidavits (Affirmations)
Affidavits/ Affirmations in Reply _____

In an action, *inter alia*, to recover damages for breach of contract, defendants Ariel Shalom (Shalom) and Lian Development Group, LLC (Lian) move to dismiss the complaint and to disqualify plaintiffs' counsel.

This case involves a real estate development project at 165 Malcolm X Boulevard in Brooklyn. The subject property was owned by 165 MX Group 17 LLC (165). 165 intended to construct ten condominium units and borrowed \$980,000 secured by a mortgage on the property. That mortgage was assigned to plaintiff Quanta Finance LLC (Quanta). In 2019, two additional loans were obtained from Quanta secured by mortgages on the property.

In 2021, nonparty Yaakov Peretz resigned from 165 and assigned all right title and interest to defendant Shalom. Plaintiffs contend 165 could not meet its obligations to Quanta, and the parties agreed to enter into a Forbearance Agreement. Defendants assert that the Forbearance Agreement was thrust on defendants who did not have the opportunity to review it with counsel.

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In any event, Shalom signed the 20-page agreement, but only on behalf of 165 and the guarantor, defendant Lian.

In their complaint, plaintiffs allege that defendants breached the Forbearance Agreement, among other things, by failing to pay amounts due to Quanta, failing to finish the project, leasing units before a certificate of occupancy was issued, and putting squatters in possession after a deed was issued to plaintiff MX but had not yet been recorded. When MX Reo Owner, LLC (MX) called the police to remove the squatters, Shalom showed them the deed showing that 168 was the owner, even though he allegedly knew 165 was no longer the owner. (It is noteworthy, as defendants point out, that in paragraph 44 of the complaint, plaintiffs state that at the time Shalom allegedly put the squatters possession “the new deed transferring ownership to Plaintiff MX had yet to be recorded and thus his actions were lawful.”)

On June 18, 2025, Quanta, under the alleged authorization of, *inter alia*, the Forbearance Agreement, transferred the property to MX. The Bargain and Sale Deed showed the sales price to be \$4,868,524, the same amount purportedly due under the Forbearance Agreement.

The first cause of action alleges breach of the contract for failing to meet obligations under the Forbearance Agreement. Notably, MX and Shalom, individually, are not parties to the Forbearance Agreement. Plaintiffs contend that Lian is an instrumentality of Shalom, Shalom comingles “property, rights and obligations” with Lian, that Lian uses the common property of Shalom, and, plaintiffs conclude, they have the right to pierce the corporate veil and hold Shalom responsible for the acts and omissions and breach of contract of Lian.

The second cause of action is based on the allegations that Shalom placed squatters on the premises and lied to the police. This, according to plaintiffs, entitles them to damages of not less than \$5,000,000 and punitive damages of \$5,000,000, and legal fees of \$100,000.

The third cause of action seeks the same damages for placing squatters on the premises, which, according to plaintiffs, constituted “unlawful trespass” and “civil conspiracy” to commit unlawful trespass.” The fourth cause of action seeks the same damages for the same acts which purportedly constituted a “private nuisance” and interfered with MX’s quiet use and enjoyment of the premises and its ability to complete the project. The fifth cause of action asserts that the failure to complete the project and “sabotaging” the project with squatters, impaired the value of the premises and constituted common law waste.

Defendants move to dismiss the complaint. The first cause of action for breach of the forbearance agreement, must be dismissed as to Shalom because he was not a party to that contract in an individual capacity, signing only on behalf of nonparty 165 and defendant Lian. Similarly, it is argued, plaintiff MX was not a party. Even as to Quanta, it is argued, it suffered no damages since it recovered all of the money it sought in the forbearance agreement when it sold the property.

Plaintiff argues that at the pleading stage it does not have to prove the factors that allow them to pierce the corporate veil, and it may just assert them and try to prove them through discovery. Defendants contend that plaintiffs at the pleading state must do more than merely allege improper acts or bad faith but must also allege that the party abused the privilege of doing business in the corporate form that led to fraud or malfeasance.

To survive a motion to dismiss a complaint, a party seeking to pierce the corporate veil must allege facts that, if taken as true, would support a finding that the defendant abused the corporate form such as failing to adhere to corporate formalities, inadequate capitalization, comingling of assets or the personal use of corporate funds (*see Board of Managers of the Brighton Tower II Condominium v Brighton Builder LLC*, 226 AD3d 736 [2d Dept 2024][that a defendant was a manager or a controlling principal is insufficient to establish a basis to pierce the corporate veil]). In addition, a plaintiff must show that such domination was used to commit a fraud or wrong against the plaintiff which resulted in plaintiff's injury (*Singh v 96 16th Street LLC*, 240 AD3d 924 [2d Dept 2025][A complaint that contained only conclusory and speculative assertions of domination and that such domination wronged plaintiff is not sufficient]). *Board of Managers v Brighton Bldr.*, *supra*; *Johnson v Ortiz Transp., LLC*, 205 AD3d 696 [2d Dept. 2022]).

In the instant case, plaintiffs have asserted all the allegations necessary for piercing the corporate veil, but they are bald, unsupported, conclusory allegations. There is not one "fact", such as keeping assets out of the corporation to avoid paying its debts, or other misuse of corporate assets, to show domination and that such domination was used to commit a wrong against plaintiffs (*cf. Olivieri Construction Corp. v WN Weaver Street, LLC*, 144 AD3d 765 [2d Dept. 2016]; *see Singh v 96 16th Street LLC, supra*).

Accordingly, the branch of the motion to dismiss the first cause of action is granted as against Shalom individually. It is also granted as to plaintiff MX which was not a party to the contract allegedly breached, namely the Forbearance Agreement. In sum, the first cause of action may be asserted by Quanta but only against Lian.

The second cause of action, in essence, for prima facie tort is adequately pleaded, but may be asserted only by MX and not by Quanta which had no interest in the property at the time of the purported wrongs. The third through fifth causes of action, sounding in, *inter alia*, civil conspiracy, unlawful trespass or interference with quiet use and enjoyment, are dismissed as redundant and without merit.

The branch of the motion to disqualify plaintiff's counsel is denied with leave to renew if specific circumstances are revealed in discovery to warrant such relief. The branch of the motion to dismiss on the ground of failing to add necessary parties is also denied at this time.

In summary, the branch of the motion to dismiss the first cause of action is granted as to plaintiff MX and defendant Shalom. The branch of the motion to dismiss the second cause of action is granted as to Quanta and is otherwise denied. The third through fifth causes of action are dismissed. The branches to disqualify counsel and to dismiss for failure to join necessary parties are denied.

This constitutes the decision and order of this Court.

DATED: *April 6, 2026*

[Handwritten Signature]
ENTER,
J. S. C.

HON. PETER P. SWEENEY, J.S.C.

KINGS COUNTY CLERK
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