

SPT Chatsworth Holdings, L.L.C. v Vaughan
2026 NY Slip Op 31547(U)
April 13, 2026
Supreme Court, New York County
Docket Number: Index No. 151749/2025
Judge: Phaedra F. Perry-Bond
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SUPREME COURT OF THE STATE OF NEW YORK
NEW YORK COUNTY

PRESENT: HON. PHAEDRA F. PERRY-BOND PART 35

Justice

SPT CHATSWORTH HOLDINGS, L.L.C.,
Plaintiff,

INDEX NO. 151749/2025
MOTION DATE 04/15/2025
MOTION SEQ. NO. 002

- v -

KENNETH B. VAUGHAN, and RANDALL S. VAUGHAN
Defendants.

DECISION + ORDER ON MOTION

The following e-filed documents, listed by NYSCEF document number (Motion 002) 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 48, 51, 52, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63

were read on this motion to/for DISMISS

Upon the foregoing documents, Defendants' motion to dismiss Plaintiff's Complaint pursuant to CPLR 3211(a)(1), (a)(3), (a)(5), and (a)(7), or alternatively for a stay of this action, is granted in part and is otherwise denied as moot.

I. Background

This lawsuit concerns a building located at 340-344 West 72nd Street, New York, New York 10023 (the "Building") which was purchased by non-party HFZ 344 West 72nd Street Owner LLC ("HFZ") on December 31, 2012 for \$150,000,000.00. Defendant Randall S. Vaughan ("Randall") began living in unit #4A of the Building in 1989. Defendant Kenneth B. Vaughan ("Kenneth") moved into unit #3A of the Building in 1990. Both apartments were registered with DHCR as subject to rent stabilization or rent control.

Defendants were shareholders of Chatworth Realty Corporation, which owned Chatworth Realty 340 LLC and Chatworth Realty 344 LLC. Chatworth Realty 340 LLC and Chatworth Realty 344 LLC owned the Building. For two decades, Defendants allegedly registered their

apartments with DHCR as temporarily exempt because they were “owner-occupied.” Allegedly, on January 1, 2012, anticipating the sale of the Building to HFZ, Defendants created new leases for themselves as rent stabilized tenants. However, when HFZ threatened to back out of the sale of the Building, Defendants represented they would enter market rate leases with HFZ and would pay \$5,000 per month in rent. As part of the negotiation, HFZ agreed to provide Defendants with lifetime renewal rights and capped rent increases, and in exchange Defendants allegedly agreed they would not challenge the rent stabilized status of their apartments.

In April 2021, after HFZ defaulted under loans made to it and Plaintiff acquired the Building through a nonjudicial foreclosure sale. Plaintiff alleges that because Defendants’ leasehold interests were subordinate to Plaintiff’s loan agreements, the foreclosure sale extinguished Defendants’ leases. On September 23, 2022, in contravention of HFZ and Defendants’ prior agreement, Plaintiff sent non-renewal notices to Defendants. Plaintiff alleges Defendants then became holdovers. Plaintiff commenced holdover proceedings against Defendants which remain pending (*see SPT Chatsworth Holdings, L.L.C. v Randall S. Vaughan et al.*, Index No. LT-300255-23/NY; *see also SPT Chatsworth Holdings, L.L.C. v Kenneth B. Vaughan*, Index No. LT-300254-23/NY) (the “Holdover Proceedings”). In the Holdover Proceedings, Defendants assert their apartments are subject to rent regulation and asserted counterclaims for rent overcharge. In this action, Plaintiff sues Defendants for fraudulent inducement, unjust enrichment, and civil conspiracy. Defendants respond with a pre-answer motion to dismiss.

Defendants argue that Plaintiff lacks standing to assert claims for fraudulent inducement because there is nothing in the any contract between Plaintiff and HFZ that indicates HFZ transferred any fraud-based claims it had against Defendants to Plaintiff as the successor-in-

interest. Defendants further argue that Plaintiff fails to even allege the existence of such a contract, which requires dismissal. Defendants also argue that the Complaint fails to meet CPLR 3016(b)'s heightened pleading standard for fraud and that the alleged fraudulent misrepresentations are definitively contradicted by the documentary evidence. Defendants argue the unjust enrichment claim is duplicative of the fraudulent inducement claims and argue the civil conspiracy claim must be dismissed because it is not an independent cause of action. Defendants also assert the claims are barred by the statute of limitations because the purportedly fraudulent inducements took place in 2012, but this action was not commenced until February 6, 2025.

In opposition, Plaintiff argues Defendants have failed to meet their burden with respect to standing and that standing remains an issue of fact. Plaintiff argues it has sufficiently stated claims for fraudulent inducement based on Defendants' alleged promise to treat the apartments as unregulated regardless of their actual rent regulated status. Plaintiff argues the claims are timely under CPLR 213(8) because it was allegedly not until February of 2023 that Defendants began asserting their apartments are rent stabilized.

II. Discussion

The motion to dismiss is granted. As held by the First Department and the Court of Appeals, a trial court may consider documentary evidence on a CPLR 3211(a)(7) to attack the sufficiency of a pleading if the evidence conclusively establishes that Plaintiff has no cause of action (*Basis Yield Alpha Fund (Master) v Goldman Sachs Group, Inc.*, 115 AD3d 128 [1st Dept 2014] citing *Rovello v Orofino Realty Co., Inc.*, 40 NY2d 633, 636 [1976]). When documentary evidence is submitted by a defendant on a CPLR 3211(a)(7) motion, the standard morphs from whether the plaintiff has stated a cause of action to whether it has one (*Basis Yield Alpha Fund (Master)*, *supra* [internal citations omitted]). As held by the Hon. Dianne T. Renwick, in

considering documentary evidence on a CPLR 3211(a)(7) motion, “the key should be whether the evidence adduced conclusively negates an element of the cause of action” (*Basis Yield Alpha Fund (Master)*, *supra* at 134 n. 4).

Moreover, conclusory allegations or claims consisting of bare legal conclusions with no factual specificity are insufficient to survive a motion to dismiss (*Godfrey v Spano*, 13 NY3d 358, 373 [2009]; *Barnes v Hodge*, 118 AD3d 633, 633-634 [1st Dept 2014]). A motion to dismiss for failure to state a claim will be granted if the factual allegations do not allow for an enforceable right of recovery (*Connaughton v Chipotle Mexican Grill, Inc.*, 29 NY3d 137, 142 [2017]). Claims sounding in fraud must be pleaded with particularity pursuant to CPLR 3016(b) (*see Schulman v Greenwich Associates, LLC*, 52 AD3d 234 [1st Dept 2008]).

To adequately allege fraudulent inducement, “it must be demonstrated that there was a false representation, made for the purpose of inducing another to act on it, and that the party to whom the representation was made justifiably relied on it and was damaged” (*see Perrotti v Becker, Glynn, Melamed & Muffly LLP*, 82 AD3d 495, 498 [1st Dept 2011]). To allege fraud based upon a statement of future intention, there must be factual allegations showing that the defendants, at the time the representation was made, never intended to honor or act on their statements (*see Cronos Group Ltd. v XComIP, LLC*, 156 AD3d 54, 72 [1st Dept 2017]).

Plaintiff’s own allegations defeat its fraudulent inducement claim. Plaintiff alleges that Defendants “misrepresented to Plaintiff’s predecessor-in-interest that they would treat their apartments as unregulated to induce it to purchase the Building” (*see* NYSCEF Doc. 1 at ¶ 22). However, Plaintiff also alleges that as “concessions to the Vaughans, [their] leases provided for perpetual renewal rights and capped rental increases.... For their part, the Vaughans treated the apartments as unregulated” (*id.* at ¶ 19). By Plaintiff’s own admission, it was only after Plaintiff

renewed on the concession granted to Defendants by taking the position that the foreclosure extinguished Defendants' leasehold interests, served Defendants with notices of non-renewal, and started holdover proceedings against Defendants that Defendants took the position that the apartments are rent stabilized as a defense in the Holdover Proceedings. Plaintiff admits Defendants performed in accordance with their representation for a decade and only changed tune after Plaintiff failed to keep its predecessor-in-interest's end of the bargain. The Complaint, therefore, fails to allege that Defendants acted with the requisite intent to deceive or defraud HFZ at the time the Building was purchased (*see, e.g. Chongqing Huansong Industries (Group) Co. Ltd. v Kinderhook Industries LLC*, 227 AD3d 586, 587 [1st Dept 2024]; *320 West 115 Realty LLC v All Building Const. Corp.*, 194 AD3d 511, 511-512 [1st Dept 2021]).

The elements of intent and justifiable reliance are also barred by the Stock Purchase Agreement, which was the instrument through which HFZ acquired the Building (*see* NYSCEF Doc. 19). The alleged misrepresentations were made, according to Plaintiff, prior to purchase of the Building by HFZ via the Stock Purchase Agreement. However, the Stock Purchase Agreement states at §10.10 “[t]his agreement and the documents referred to herein constitute the entire agreement and understanding of the parties with respect to the subject matter of this Agreement, and supersede all prior understandings and agreements, whether oral or written, between or among the parties hereto with respect to the specific subject matter hereof.”

At § 12.2 of the Stock Purchase Agreement, the parties agreed:

“RSV and KBV hereby warrant and represent that they have occupied, and continue to occupy, units 4A and 3A (“Seller Occupied Units”), respectively, and that at all times during which they occupied the Seller Occupied Units, they were shareholders in the sole member of Chatsworth 340, such that at all times, the Seller acknowledges that Seller Occupied Units were temporarily exempt from Rent Stabilization by virtue of the fact that they were owner occupied....Simultaneous with the execution hereof, RSV and KBV hereby surrender all right, title and interest in and to any existing lease for the Seller Occupied Units and have executed

leases, in the form annexed hereto as Exhibit D. RSV and KBV acknowledge and agree that they retain an ownership interest in Chatsworth 340 and that Chatsworth 340, or its Affiliate, shall continue to register the Seller Occupied Units as temporarily exempt and RSV and KBV shall not object to or challenge such registrations.”

The leases referenced as “Exhibit D” in § 12.2, which were executed by HFZ and Defendants, state “Tenant shall have the right to extend this lease for unlimited successive two-year terms for his natural life, commencing on January 1, 2015. The rent shall be increased for each such two-year term by the two-year renewal guidelines in effect for rent stabilized apartments or, if no guidelines are in effect the increases shall be 6 percent” Nothing in the Stock Purchase Agreement states that Defendants would not challenge the rent stabilized status of the apartments forever, it simply states they would not object to the Apartments being registered as “temporarily exempt” as owner occupied. Any alleged oral representation made by Defendants contradictory to Defendants’ representations and warranties made in § 12.2 are barred by the merger clause found in §10.10 (*see, e.g. Great Rock Capital Partners Management, LLC v Wingtip Communications, Inc.*, 224 AD3d 442, 445 [1st Dept 2024]; *see also Xi Mei Jia v Intelli-Tec Sec. Services, Inc.*, 114 AD3d 607 [1st Dept 2014]). The documentary evidence further reflects that at the time of the transaction, HFZ hired a law firm to conduct due diligence and was aware that apartments in the Building, including Defendants’ apartments, were subject to rent stabilization (*see, e.g. Burden v Pamplona Capital Management LLP*, 238 AD3d 444, 445 [1st Dept 2025]).

The civil conspiracy cause of action also must also be dismissed. Civil conspiracy is not an independent tort and there is no longer any underlying tort to support this cause of action (*see Laura Corio, M.D., PLLC v R. Lewin Interior Design, Inc.*, 49 AD3d 411 [1st Dept 2008]). The unjust enrichment claim is dismissed as duplicative and cannot serve as a “catch all” cause of action to remedy Plaintiff’s other defective claims (*see Corsello v Verizon New York, Inc.*, 18

NY3d 777 [2012]). As the Court grants dismissal under CPLR 3211(a)(1) and (a)(7), it does not reach Defendants' other grounds for dismissal, including CPLR 3211(a)(3) and (a)(5). The request for a stay pursuant to CPLR 2201 is denied as moot.

Finally, the Court denies Defendants' request for attorneys' fees. While Defendants' claim they are entitled to attorneys' fees pursuant to attorneys' fees pursuant to § 14 of the Stock Purchase Agreement, that clause reads "[i]n the event of any litigation under this Agreement, then the prevailing party in such litigation shall be entitled to recover reasonable legal fees and disbursements from the other parties in such litigation." While the Stock Purchase Agreement constituted documentary evidence that established Defendants' defense, the litigation was not brought "under" the Stock Purchase Agreement. Instead, Plaintiff alleged an extra-contractual misrepresentation, any reliance on which was barred by the Stock Purchase Agreement's merger clause. Therefore, the request for attorneys' fees is denied.

Accordingly, it is hereby,

ORDERED that Defendants' motion to dismiss is granted, but the remainder of the motion is denied; and it is further

ORDERED that within ten days of entry, counsel for Defendants shall serve a copy of this Decision and Order, with notice of entry, on all parties via NYSCEF.

This constitutes the Decision and Order of the Court.

4/13/26
DATE


HON. PHAEDRA F. PERRY-BOND, J.S.C.

CHECK ONE:	<input checked="" type="checkbox"/> CASE DISPOSED	<input type="checkbox"/> DENIED	<input type="checkbox"/> NON-FINAL DISPOSITION	<input type="checkbox"/> OTHER
APPLICATION:	<input type="checkbox"/> GRANTED		<input checked="" type="checkbox"/> GRANTED IN PART	
CHECK IF APPROPRIATE:	<input type="checkbox"/> SETTLE ORDER		<input type="checkbox"/> SUBMIT ORDER	
	<input type="checkbox"/> INCLUDES TRANSFER/REASSIGN		<input type="checkbox"/> FIDUCIARY APPOINTMENT	<input type="checkbox"/> REFERENCE