# COURT OF CHANCERY
# OF THE
# STATE OF DELAWARE

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September 9, 2026

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RE: *Aron Youngerwood v. AP Sulphur Spring LP, et al.*,
C.A. No. 2025-1375-LM (LWW)

Dear Mr. Youngerwood and Counsel:

This books and records action is before me on exceptions to a Magistrate in Chancery's Final Report. The plaintiff, a limited partner, seeks books and records relating to the sale of the partnership's sole asset. The partnership agreement grants limited partners broad inspection rights upon "prior notice." The Magistrate treated a statutory "necessary and essential" default as controlling the contractual right, though the partnership agreement expands the default.

Certain of the plaintiff's exceptions are sustained, and others concerning the Magistrate's statutory analysis are moot. I uphold the Magistrate's conclusion that the plaintiff's complaint could not exceed the scope of his prior demand, while holding that he is entitled to records responsive to the five categories identified in that demand. I also reject his fee-shifting challenge and sustain in part his objection to the dismissal of certain defendants.

## I. BACKGROUND

The following facts reflect the record developed at trial.[1]

### A. The Partnership and the Property

Plaintiff Aron Youngerwood holds a 0.7335% limited partnership interest in AP Sulphur Spring LP (the "Partnership").[2] The Partnership's purpose was to acquire, operate, and sell a 313,000-square-foot commercial warehouse in Baltimore, Maryland (the "Property").[3] Defendant AP Sulphur Spring GP LLC is the Partnership's General Partner, and defendant Nir Kriel serves as its principal.[4]

The Partnership is governed by a Limited Partnership Agreement (the "Partnership Agreement").[5] Section 6.2(a) governs the limited partners' inspection rights. It grants "[e]ach Partner . . . upon such Partner's giving prior notice to the

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[1] Magistrate's Final Post-trial Report (Dkt. 82) ("Final Report"). I have reviewed the trial record presented to the Magistrate de novo.

[2] *Id.* at 2-3.

[3] *Id.* at 3.

[4] *Id.*

[5] *See* Ex. B to Verified Compl. for Inspection of Books and Records (Dkt. 2) ("Partnership Agreement").

Company" access to "books and accounts and any other records of the Company."[6] The Partnership Agreement provides that notice may be "sent by electronic mail[.]"[7]

In late October 2025, the Partnership announced that the Property had been marketed for sale.[8] An executive summary noted that the sale had been "awarded to the most suitable bidder" and that a purchase agreement was being negotiated, with closing targeted for early 2026.[9]

### B. The Demands

The plaintiff sought information about the sale from the Partnership. After two requests were sent by his litigation counsel to the defendants' attorneys, the plaintiff personally sent a demand by email on November 11, 2025.[10] He directed

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[6] *Id.* § 6.2(a); *see* Final Report 12. The Partnership Agreement defines "Partners" as the General Partner, Special Partner, and the Limited Partners collectively. Partnership Agreement, Recitals.

[7] Partnership Agreement § 11.3; *see* Final Report 14.

[8] Final Report 3.

[9] *Id.*

[10] *Id.* at 4-5.

the email to the Chief Financial Officer of an affiliated entity who served as the plaintiff's point of contact for Partnership financial matters.[11]

The plaintiff's November 11 email requested five categories of documents about the Property sale: (1) term sheets submitted by prospective buyers; (2) the sales offering memorandum; (3) the sale broker's summary of bids; (4) the identity of the selected purchaser; and (5) the signed or most recent draft of the purchase agreement.[12] He stated that the records were needed to "understand the investment, the realization and valuation of the investment at this point in time, assist [his] tax planning and better understand the rationale and appropriateness of the sale of the Property."[13] The Partnership rejected his demand.[14]

### C. The Litigation

On November 25, 2025, the plaintiff filed a books and records action in this court. He invoked both Section 6.2(a) of the Partnership Agreement and Section 17-305 of the Delaware Revised Uniform Limited Partnership Act.[15] His Complaint expanded the scope of the pre-suit demands, delineating seven broad categories of

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[11] *Id.* at 5, 15.

[12] *Id.* at 4.

[13] *Id.* at 6.

[14] *Id.*

[15] *Id.*

documents including broker engagements, valuations, governance materials, and partner communications.[16] The defendants answered the Complaint in January 2026.[17]

On February 20, 2026—the same day the defendants filed their pre-trial brief—the Partnership produced 2023 and 2024 audited financial statements to the plaintiff.[18] These financial statements listed the Property's historical value at approximately $41 million.[19]

After pre-trial briefing was complete, a one-day trial was held before a Magistrate in Chancery by Zoom on March 16, 2026.[20]

### D. The Final Report

The Magistrate issued the Final Report on April 30, 2026. She found that the plaintiff's November 11 demand constituted valid notice under the Partnership Agreement, triggering his contractual inspection rights.[21] Despite this finding, the Magistrate analyzed his inspection right under the Delaware Revised Uniform

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[16] *Id.* at 6-8.

[17] Answer to Compl. (Dkt. 39) ("Answer").

[18] Final Report 9.

[19] *See* Exs. D-E to Pl.'s Answering Pre-trial Br. (Dkt. 69).

[20] Final Report 10.

[21] *Id.* at 14-16.

Limited Partnership Act. The Magistrate applied the statutory "necessary and essential" standard of 6 *Del. C.* § 17-305(f) to resolve the contract claim without separately considering whether the contract expanded the statutory default.[22] The Magistrate held that only the five categories of documents identified in the November 11 demand—not the additional categories first sought in the Complaint—were properly before her.[23] The Magistrate then determined that, of those five categories, only the purchase agreement and term sheets were necessary and essential to the plaintiff's valuation and tax planning purposes.[24] The Magistrate rejected the plaintiff's request to investigate mismanagement for lack of a credible basis, reasoning in part that he lacked a veto right over the sale.[25]

The Magistrate also dismissed the General Partner and related entities sua sponte, holding that a books and records claim runs solely against the entity whose records are sought.[26] Finally, she declined to shift attorneys' fees, finding

[22] *Id.* at 18.

[23] *Id.* at 16-17.

[24] *Id.* at 22-23, 27-28.

[25] *Id.* at 23-25.

[26] *Id.* at 10-11.

insufficient evidence of bad faith by either party to warrant a departure from the American Rule.[27]

### E. The Exceptions

The plaintiff timely filed eight exceptions to the Final Report under Court of Chancery Rule 144.[28] The defendants oppose the exceptions.[29] After briefing on the exceptions was complete, the parties filed a series of letters regarding post-briefing developments.[30] None of those developments bear on the substance of the issues before me.

## II. ANALYSIS

The Court of Chancery reviews exceptions to a Magistrate's final report de novo.[31] The exceptions are considered "on the record before the Magistrate, unless

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[27] *Id.* at 30-33.

[28] Pl.'s Notice of Exceptions to Magistrate's Final Report (Dkt. 83); Pl.'s Opening Br. in Supp. of Exceptions to Magistrate's Final Post-Trial Report (Dkt. 89) ("Pl.'s Opening Exceptions Br."); Pl.'s Reply Br. in Supp. of Pl.'s Exceptions (Dkt. 91).

[29] Defs.' Answering Br. in Opp'n to Pl.'s Obj. to Magistrate's Post-trial Report (Dkt. 90) ("Defs.' Answering Exceptions Br.").

[30] *See* Letters from the Parties (Dkts. 92-95).

[31] *See* Ct. Ch. R. 144(b)(2); *DiGiacobbe v. Sestak*, 743 A.2d 180, 184 (Del. 1999).

the Court determines otherwise for good cause shown."[32] The exceptions largely involve contract interpretation, making a hearing unnecessary.[33]

The plaintiff brings eight exceptions. Exception 1 concerns whether the Magistrate erred by importing statutory limitations into the Partnership Agreement.[34] Exception 2 concerns whether the defendants waived their scope and form and manner defenses by failing to plead them in their Answer.[35] Exceptions 3, 4, and 6 concern whether the plaintiff stated proper purposes and established a "credible basis" to investigate mismanagement, contrary to the Magistrate's findings.[36] Exception 5 concerns whether the Magistrate's production order was internally inconsistent and too narrow to satisfy the valuation and tax planning purposes.[37] Exception 7 concerns whether the defendants' tactics amount to bad faith supporting fee shifting.[38] And Exception 8 concerns whether the plaintiff may assert his books and records claims against defendants other than the Partnership.[39]

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[32] Ct. Ch. R. 144(e).

[33] *See DiGiacobbe*, 743 A.2d at 184.

[34] Pl.'s Opening Exceptions Br. 12.

[35] *Id.* at 15.

[36] *Id.* at 20, 30.

[37] *Id.* at 28.

[38] *Id.* at 32.

[39] *Id.* at 47.

### A. The Contractual Inspection Right

Freedom of contract is paramount in the alternative entity context.[40] 6 *Del. C.* § 17-305 establishes default inspection rights but permits a partnership agreement to expand or restrict those rights.[41] The court must compare the statutory default with the inspection rights granted by the partnership agreement and give effect to the parties' chosen terms.[42] When parties draft an agreement granting access to books and records, Delaware courts will enforce the contract as written.[43]

Section 6.2(a) of the Partnership Agreement provides that "[e]ach Partner . . . upon such Partner's giving prior notice to the Company, shall at all reasonable times

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[40] *See Elf Atochem N. Am., Inc. v. Jaffari*, 727 A.2d 286, 290 (Del. 1999) ("The policy of freedom of contract underlies both the [LLC] Act and the LP Act."); 6 *Del. C.* § 17-1101(c) ("It is the policy of this chapter to give maximum effect to the principle of freedom of contract and to the enforceability of partnership agreements.").

[41] 6 *Del. C.* § 17-305(f) ("The rights of a limited partner to obtain information as provided in this section may be expanded or restricted in an original partnership agreement or in any subsequent amendment approved or adopted by all of the partners or in compliance with any applicable requirements of the partnership agreement.").

[42] *See Cornett v. Collectable Sports Assets, LLC*, 2025 WL 1531160, at *8 (Del. Ch. May 29, 2025) (noting, in the LLC context, that because "inspection rights under Section 18-305 may be either expanded or limited by provisions in the governing LLC agreement," the court must compare the "Delaware Act and the LLC Agreement").

[43] *See United States v. Sanofi-Aventis U.S. LLC*, 226 A.3d 1117, 1128-29 (Del. 2020) (explaining that partnership agreements are contracts and are construed "in accordance with their terms to give effect to the parties' intent"); *Murfey v. WHC Ventures, LLC*, 236 A.3d 337, 355 (Del. 2020) ("A contract's express terms provide the starting point in approaching a contract dispute." (quoting *Sunline Com. Carriers, Inc. v. CITGO Petroleum Corp.*, 206 A.3d 836, 846 (Del. 2019))).

have access to, and may inspect, audit and make copies of, such books and accounts and any other records of the Company."[44] Unlike Section 17-305(a) of the LP Act, the Partnership Agreement does not condition inspection on a purpose reasonably related to the limited partner's interest. The threshold condition relevant here is prior notice to the Partnership.[45]

The Magistrate correctly found that the plaintiff's November 11, 2025 email "constituted valid notice under the Partnership Agreement."[46] The Magistrate also correctly held that, as a result of that notice, the plaintiff's "contractual inspection rights [were] triggered."[47] But the Magistrate then applied Section 17-305(f)'s default "necessary and essential" limitation without considering whether Section 6.2(a) of the Partnership Agreement expanded that statutory default.[48] It does.

In *Murfey v. WHC Ventures, LLC*, decided before the 2021 amendment to Section 17-305(f), the Delaware Supreme Court reversed the Court of Chancery for

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[44] Partnership Agreement § 6.2(a).

[45] *See id.*; *see also* 6 *Del. C.* § 17-305(a) (providing that access to books and records is "subject to such reasonable standards . . . as may be set forth in the partnership agreement").

[46] Final Report 17; *see also id.* at 15 (finding that the "third demand . . . satisfies the notice requirement"); *id.* at 16-17 (explaining why it was appropriate for the plaintiff to direct his email to the CFO).

[47] *Id.* at 34.

[48] *Id.* at 18.

applying a statutory "necessary and essential" limitation to a contractual inspection right.[49] The court cautioned against "implying terms into a written contract," particularly in the alternative entity context where parties have "great freedom of contract."[50] It detailed the logic of prior precedent recognizing contractual rights to inspect alternative entity books and records that are "independent of statutory preconditions and defenses."[51]

The General Assembly amended Section 17-305(f) after *Murfey* to make the "necessary and essential" standard the default for inspection rights exercised for a stated purpose, including rights arising under a partnership agreement.[52] The amendment provides that, if a limited partner is entitled to information under the statute or a partnership agreement "for a purpose reasonably related to the limited partner's interest as a limited partner or other stated purpose," the limited partner's right is to information "necessary and essential to achieving that purpose."[53] Section

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[49] 236 A.3d at 344-46. The partnership agreement at issue in *Murfey* conditioned inspection on a purpose reasonably related to the limited partner's interest. *Id.* at 342.

[50] *Id.* at 350.

[51] *Id.* at 347-48; *see Schwartzberg v. CRITEF*, 685 A.2d 365, 374-75 (Del. Ch. 1996); *In re Paine Webber Qualified Plan Prop. Fund Three, L.P. Litig.*, 698 A.2d 389, 392 (Del. Ch. 1997); *Grand Acq., LLC v. Passco Indian Springs DST*, 145 A.3d 990, 999-1001 (Del. Ch. 2016), *aff'd*, 158 A.3d 449 (Del. 2017).

[52] *See* S.B. 116, 151st Gen. Assem. (Del. 2021).

[53] 6 *Del. C.* § 17-305(f).

17-305(f) also provides that a limited partner's information rights "may be expanded or restricted in an original partnership agreement" or in a qualifying subsequent amendment.[54] Thus, the issue here is whether the Partnership Agreement expands the necessary-and-essential default.[55]

Section 6.2(a) does just that. Section 17-305 of the LP Act grants a limited partner information rights upon a proper-purpose demand and, under subsection (f), limits those rights by default to information necessary and essential to achieving the stated purpose.[56] Section 6.2(a) adopts different terms. It provides that each partner, upon giving prior notice to the Partnership, "shall at all reasonable times have access to, and may inspect, audit and make copies of, such books and accounts and any other records of the Company."[57] That language affirmatively grants every partner—upon notice—access to the Partnership's books, accounts, and other records. It does not condition that right on a proper purpose or limit inspection to records necessary and essential to achieving one. Instead, the parties chose partner

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[54] *Id.*

[55] *See Eller Assocs. Inc. v. SRP Opportunities II, LP*, 2025 WL 3201897, at *12 (Del. Ch. Nov. 5, 2025) (noting that "[a] limited partnership agreement may expand the default inspection rights provided in Section 17-305" so long as the "changes to the inspection rights [are] explicit and present 'in an original partnership agreement or in any subsequent amendment . . . .'" (quoting 6 *Del. C.* § 17-305(f))).

[56] 6 *Del. C.* § 17-305(f). The Partnership Agreement is the original agreement.

[57] Partnership Agreement § 6.2(a).

status and prior notice as the prerequisites to inspection, and broadly defined its subject as the Partnership's "books and accounts and any other records."[58] Giving that language independent effect, Section 6.2(a) expands the statutory default in the manner Section 17-305(f) expressly permits.[59]

The Final Report took a different approach. It treated Section 6.2(a) and Section 17-305 as imposing the same limitations and applied the statutory "necessary and essential" standard to the contract claim. As a result, the contractual inspection right was rendered coextensive with the statutory default, leaving the parties' chosen language without independent effect.

After concluding that the contractual prerequisite of notice was satisfied, the analysis should have focused on whether the documents demanded on November 11 constituted "such books and accounts and any other records of the Company."[60] Instead, it addressed whether the plaintiff had satisfied the "credible basis" standard and whether the documents sought were "necessary and essential" to his stated

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[58] *Id.*

[59] *See Arbor Place, L.P. v. Encore Opportunity Fund, L.L.C.*, 2002 WL 205681, at *3 (Del. Ch. Jan. 29, 2002) (giving independent meaning to an agreement's broad grant of access to "all books and records of the Company" and declining to infer an unstated limitation on that right); *see also id.* at *4 n.9 (recognizing that contractual inspection rights may be broader or narrower than statutory inspection rights).

[60] Partnership Agreement § 6.2(a).

purposes. Those statutory limitations do not govern the broader inspection right created by Section 6.2(a), however.

Accordingly, Exception 1 is sustained in full. Exception 2 is sustained in part insofar as the Magistrate applied statutory scope limitations to the plaintiff's expanded contractual inspection right. Exceptions 3, 4, and 6, which concern statutory proper purpose and credible basis arguments, are moot.

### B. The Scope of Inspection

Having concluded that the statutory "necessary and essential" standard does not limit the plaintiff's entitlement to documents, I consider the proper scope of production.

To begin, the plaintiff asserts that he is entitled to the seven expanded categories of documents outlined in his Complaint rather than the more limited request he made by email on November 11. The Magistrate rejected this contention, holding that Section 17-305 limited inspection rights to "the scope of the demand letter."[61] Although I disagree with the reliance on statutory principles, I agree with the ultimate conclusion.

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[61] Final Report 17.

As discussed, Section 6.2(a) requires a partner to give "prior notice" to the Partnership.[62] But there was no prior notice to the Partnership of the numerous categories of documents first sought in the Complaint. A notice of inspection must identify the records sought so that the Partnership can respond meaningfully to the request. The Complaint itself cannot supply prior notice for documents first requested there. As to those categories, the plaintiff had not satisfied the prior notice requirement when he filed suit.[63]

The plaintiff asserts that the defendants waived this argument by failing to plead it as an affirmative defense.[64] But the plaintiff bears the burden of proving he satisfied the contractual prerequisites for the records he seeks. The defendants also denied in their Answer that proper books and records demands were made, preserving this objection.[65]

The plaintiff gave prior notice only for the five categories of documents demanded in his November 11 email. He is bound by the scope of that notice. Accordingly, Exception 2 is overruled in part.

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[62] Partnership Agreement § 6.2(a).

[63] *Cf. Cent. Laborers Pension Fund v. News Corp.*, 45 A.3d 139, 146 (Del. 2012) (noting, in the Section 220 context, that pre-suit demand requirements must be satisfied before a complaint is filed).

[64] *See* Pl.'s Opening Exceptions Br. 16-17.

[65] *See* Answer ¶ 32.

The November 11 email demanded: (1) term sheets submitted by prospective buyers of the Property; (2) the sales offering memorandum; (3) the sale broker's summary of bids; (4) documents identifying the selected purchaser; and (5) the signed or most recent draft of the purchase agreement.[66] The Final Report granted the plaintiff only the purchase agreement and term sheets, based on an erroneous application of statutory standards. But the plaintiff is entitled to "any other records of the Company" responsive to his five requests.[67] Exception 5 is therefore sustained in part and moot in part.

### C. Proper Defendants

The Complaint named four defendants: the Partnership (AP Sulphur Spring LP), the General Partner (AP Sulphur Spring GP LLC), a "Special Partner" (AP Aminim Properties LP), and an individual principal (Nir Kriel). In response to a motion to disqualify counsel, the Magistrate raised sua sponte that "a books and records claim under 6 *Del. C.* § 17-305(a) cannot be filed against an individual because the statute grants inspection rights only against the limited partnership entity itself[.]"[68] The Magistrate questioned whether the plaintiff had named other

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[66] Final Report 4-6.

[67] Partnership Agreement § 6.2(a).

[68] Order Denying Motion for Disqualification of Pro Hac Vice Counsel (Dkt. 48).

defendants "as a method to create some type of fiduciary duty or contract claim against those parties."[69] As the plaintiff pointed out in responding to the Magistrate, however, he had advanced both statutory and contract-based claims.[70] The Final Report did not separately analyze the contract claim and dismissed all defendants except for the Partnership, relying on 8 *Del. C.* § 220 jurisprudence.[71]

The Magistrate erred by analogizing to Section 220 in this context because Section 17-305 differs in a material respect. It grants a limited partner the right to obtain information "from the general partners," and authorizes this court to "summarily order the general partner to permit the limited partner to obtain" that information.[72] The General Partner is a proper defendant to the plaintiff's statutory inspection claim.[73]

The General Partner is also a proper defendant to the plaintiff's contract-based claim. The General Partner and limited partners are parties to the Partnership

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[69] *Id.*

[70] Pl.'s Response to Court's Feb. 2, 2026 Order (Dkt. 60).

[71] Final Report 11-12.

[72] 6 *Del. C.* § 17-305(a), (e).

[73] *See id.*; *see also Madison Ave. Inv. P'rs, LLC v. Am. First Real Est. Inv. P'rs, L.P.*, 806 A.2d 165 (Del. Ch. 2002) (adjudicating statutory books and records actions naming the general partners as defendants); *Bond Purchase, L.L.C. v. Patriot Tax Credit Props., L.P.*, 746 A.2d 842 (Del. Ch. 1999) (same).

Agreement. In *Sehoy Energy LP v. Haven Real Estate Group, LLC*, the court confirmed that contractual inspection rights "run directly to the limited partners themselves" and permitted a direct claim for breach of the partnership agreement's inspection provision to proceed against a general partner.[74] So too here.

The General Partner is a signatory to the Partnership Agreement and is vested with the exclusive authority to manage the Partnership.[75] It is a proper defendant for the plaintiff's claim that Section 6.2(a) was breached. To the extent that Exception 8 challenges the dismissal of the General Partner, it is sustained.

The plaintiff's attempt to sue Kriel and the Special Partner requires a different outcome. Kriel is not a party to the Partnership Agreement in his individual capacity; he signed solely as an "Authorized Member" of the entity defendants.[76] And though the Special Partner is a signatory to the Partnership Agreement, it owes no contractual obligation to produce or maintain books and records. Section 6.2(a) requires notice to "the Company," which is managed exclusively by the General

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[74] 2017 WL 1380619, at *9-10 (Del. Ch. Apr. 17, 2017).

[75] *See* Partnership Agreement § 4.1 (vesting the Partnership's management in the General Partner); *see also id.* § 6.2(a) (requiring the Partnership to maintain books and accounts).

[76] *See id.* at 47 (signature page). The plaintiff advanced no legitimate grounds to sue Kriel in his individual capacity.

Partner. The Special Partner cannot breach an obligation it does not owe.[77] Insofar as Exception 8 concerns the Special Partner and Kriel, it is overruled.

### D. Fee Shifting

Delaware follows the American Rule. The plaintiff sought fee shifting under the bad faith exception. The Magistrate concluded that there was "no evidence presented of bad faith conduct by either party sufficient to shift fees."[78]

I agree. To obtain fee shifting under the bad faith exception, the plaintiff would have to advance clear evidence that the defendants' conduct was "so fraudulent, frivolous, vexatious, wanton or oppressive as to amount to egregiousness."[79] Resisting pre-closing inspection out of concern that a minority investor might frustrate a $31 million transaction is aggressive, but it is not bad faith. Moreover, the defendants produced the audited financials 31 days after filing their Answer. Though delayed, producing these core financial records before trial undermines the plaintiff's bad faith arguments.

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[77] *See Kuroda v. SPJS Hldgs., L.L.C.*, 971 A.2d 872, 883 (Del. Ch. 2009) (explaining that to state a breach of contract claim, the plaintiff must plead "the breach of an obligation imposed by that contract"); *In re P3 Health Gp. Hldgs., LLC*, 2022 WL 16548567, at *11 (Del. Ch. Oct. 31, 2022) ("A plaintiff only can assert a breach of contract claim against a party that owed the pertinent obligation under the agreement.").

[78] Final Report 33.

[79] *Reagan v. Randell*, 2002 WL 1402233, at *3 (Del. Ch. June 21, 2002) (citation omitted).

Both parties used sharp tactics, but neither side's conduct rises to the level of bad faith. Each side will bear its own fees and expenses. Exception 7 is overruled.

## III. CONCLUSION

For the above reasons, Exception 1 is sustained, mooting Exceptions 3, 4, and 6. Exceptions 2 and 5 are sustained in part, entitling the plaintiff to records responsive to the five categories identified in his November 11 demand. Exception 8 is sustained as to the General Partner and otherwise overruled. Exception 7 is overruled. IT IS SO ORDERED.

Sincerely yours,

*/s/ Lori W. Will*

Lori W. Will
Vice Chancellor