

**COURT OF CHANCERY
OF THE
STATE OF DELAWARE**

**BONNIE W. DAVID
VICE CHANCELLOR**

**COURT OF CHANCERY COURTHOUSE
34 THE CIRCLE
GEORGETOWN, DE 19947**

Date Submitted: October 2, 2026
Date Decided: October 22, 2026

Travis S. Hunter, Esq.
Katharine L. Mowery, Esq.
Dionis Mucollari, Esq.
Richards, Layton & Finger, P.A.
920 North King St.
Wilmington, DE 19801

Christopher P. Simon, Esq.
David G. Holmes, Esq.
Cross & Simon, LLC
1105 North Market St., Suite 901
Wilmington, DE 19801

RE: *Melrose Wang Capital Investments LLC v. Houston Hotel Partners, LLC*,
C.A. No. 2026-0309-CDW (BWD)

Dear Counsel:

This letter opinion resolves exceptions (the “Exceptions”) to the Magistrate in Chancery’s June 25, 2026, oral report (the “Report”) in this advancement action. Magistrate’s Report [hereinafter Report Tr.], Dkt. 32.

The plaintiff in this action, Melrose Wang Capital Investments LLC (“Plaintiff”), is a member of defendant Houston Hotel Partners, LLC (the “Company”), a Delaware limited liability company. Report Tr. 5:12–17. In October 2025, Plaintiff initiated a lawsuit in this Court against the Company and another member, AAFH–Houston Hotel Partners, LLC (“AAFF”), captioned *Melrose Wang Capital Investments LLC v. Houston Hotel Partners, LLC*, C.A. No. 2025-1262-BWD (the “Plenary Action”). Plaintiff’s complaint in the Plenary Action alleges

that the Company and AAFF breached the Company's Amended and Restated Limited Liability Company Operating Agreement (the "Operating Agreement") by directing and approving distributions to AAFF in violation of certain waterfall provisions and by amending or modifying the Operating Agreement without Plaintiff's consent. Pl.'s Verified Compl. ¶¶ 27–36, *Melrose Wang Capital Investments LLC v. Houston Hotel Partners, LLC*, C.A. No. 2025-1262-BWD (Del. Ch. Mar. 5, 2026), Dkt. 1. Plaintiff seeks damages and a declaration that Sections 4.3 and 6.3 of the Operating Agreement do not provide an alternative to the waterfall provisions. *Id.*

In March 2026, Plaintiff initiated this action, seeking advancement of expenses incurred in connection with its Plenary Action. Plaintiff seeks advancement under the Operating Agreement, which states, in pertinent part:

8.1 Indemnification of Members and Managers

To the maximum extent permitted under the Requirements of Law, the Members and the Managers shall be indemnified by the Company from any liability resulting from any act omitted or performed by them in good faith on behalf of the Company and in a manner reasonably believed by them to be within the scope of the authority conferred upon them by this Agreement and in the best interest of the Company (provided, however, that any indemnity under this Article shall be provided out of and be limited to the extent of the Company assets only), and no Member or Manager shall have any personal liability therefor. Notwithstanding the foregoing, the terms of this indemnification shall not extend to any claims related to fraud,

deceit, misconduct or any intentional violation of the Requirements of Law committed by any Manager or Member.

8.2 Liability for Acts and Omissions

No Manager or Member shall be liable, responsible or accountable, in damages or otherwise, to the Company or the Members for or as a result of any act, omission or error in judgment which was taken, omitted or made by them in good faith on behalf of the Company and in a manner reasonably believed by them to be within the scope of the authority granted to them by this Operating Agreement and in the best interest of the Company, except for fraud, deceit, misconduct, or an intentional violation of the Requirements of Law.

8.3 Advances for Expenses

Expenses (including attorneys' fees) incurred by or in respect of any such Manager or Member in connection with any such action, suit or proceeding relating to Manager or Member's involvement with the Company, whether civil, criminal, administrative, arbitral or investigative, shall be paid by the Company in advance of the final disposition thereof upon receipt from such Manager or Member of: (i) a written statement of such Manager's or Member's good faith belief that they have met the applicable standard of conduct under this Agreement and Delaware law; and (ii) an undertaking by, or on behalf of, such Manager or Member to repay such amount if it is ultimately determined that they did not meet the standard of conduct.

Verified Compl. For Advancement, Ex. A [hereinafter OA] §§ 8.1–8.3, Dkt. 1.

The action was assigned to a Magistrate in Chancery, who, on June 25, issued the Report, concluding that Plaintiff is not entitled to advancement of expenses incurred in the Plenary Action. The Report reasoned that “any such Manager or Member’ entitled to advancement under Section 8.3 is one who may [be] eligible for

indemnification under Section 8.1 or for exculpation under Section 8.2,” and that Plaintiff is not “acting ‘on behalf of the Company’ and ‘in a manner reasonably believed by [Plaintiff] to be within the scope of authority conferred upon [it] by [the Operating] Agreement’” in the Plenary Action. Report Tr. 27:24–28:8.

On June 30, Plaintiff filed the Exceptions. Dkt. 27. Briefing on the Exceptions concluded on October 2. Dkts. 35, 37, 42. Oral argument is unnecessary.

I have reviewed the record and the Magistrate in Chancery’s determinations *de novo*. See *DiGiacobbe v. Sestak*, 743 A.2d 180, 184 (Del. 1999). After close review of the Report, the briefing and record below, and the parties’ submissions on Exceptions, I conclude that the Magistrate’s “decision is supported by the factual record and h[is] conclusions of law are proper.” *In re Est. of Erdman*, 2011 WL 2191680, at *1 (Del. Ch. May 26, 2011).

I agree with the conclusions set forth in the Report. In addition, even if Plaintiff were correct that Section 8.3 of the Operating Agreement should be read in isolation and without reference back to Sections 8.1 and 8.2, my view is that Plaintiff still would not be entitled to advancement for its affirmative claims in the Plenary Action. Section 8.3 requires advancement of expenses incurred by a “Member in connection with any such action . . . relating to . . . Member’s involvement with the Company.” OA § 8.3. Plaintiff, the party seeking advancement, is the “Member”

in question. But the Plenary Action does not relate to *Plaintiff's* “involvement with the Company,” except insofar as Plaintiff has standing to challenge the *board's and AAFF's* conduct at the Company. Because the Plenary Action does not concern Plaintiff's conduct, the requirement to provide “a written statement of [Plaintiff's] good faith belief that [it has] met the applicable standard of conduct” and an undertaking to repay the advancement “if it is ultimately determined that [Plaintiff] did not meet the standard of conduct” does not make sense. *Id.*; *see* Answering Br. Of Def. Houston Hotel Partners, LLC In Opp'n To Pl.'s Exceptions To The Magistrate In Chancery's Final Report at 13, Dkt. 37 (“[The ‘standard of conduct’] predicates make sense only where the underlying proceeding concerns potential liability arising from the claimant's conduct. They have no logical application to a Member's affirmative lawsuit seeking additional distributions.”). For this reason, as well as those set out in the Report, I agree that Plaintiff is not entitled to advancement of expenses incurred in the Plenary Action.

The Exceptions are denied, and the Report is adopted and affirmed.

Sincerely,

/s/ *Bonnie W. David*

Bonnie W. David
Vice Chancellor

cc: All counsel of record (by File & ServeXpress)