2026 Tex. Bus. 57

THE BUSINESS COURT OF TEXAS
ELEVENTH DIVISION

Duncan C. Carrington and Zachary Hiller, *Plaintiffs*, v. Aaron Corsi; Ryan Soroka; Sean M. Rosenbaum; Benjamin Meggs; BCHC Merge, LLC; Bayou City Hemp Company, Inc.; and BC Infinity, Inc., *Defendants*.	§ § § § § § § § § § § § §	Cause No. 26-BC11A-0012

MEMORANDUM OPINION & ORDER

I. INTRODUCTION

¶1 On June 2, 2026, came to be heard (i) Sean M. Rosenbaum's Rule 91a Motion to Dismiss; (ii) Defendant Ryan Soroka's Rule 91a Motion to Dismiss; and (iii) Defendants Benjamin Meggs, BCHC Merge, LLC, Bayou City Hemp Company, Inc.; and BC Infinity, Inc.'s Rule 91a Motion to Dismiss (collectively, the "Motions"). At this juncture, having considered the Motions; Plaintiffs' Response in Opposition to BCI Defendants' 91a Motion to Dismiss; Plaintiffs' Response in Opposition to Soroka and Rosenbaum's 91a Motions to Dismiss; Defendant Ryan Soroka's Reply to Plaintiffs' Response to Rule 91a Motion to Dismiss; Sean M. Rosenbaum's Reply in Support of Rule 91a Motion to Dismiss; Sean M. Rosenbaum's Amended Reply in Support of Rule 91a Motion to Dismiss; and Defendants Benjamin Meggs, BCHC Merge, LLC, Bayou City Hemp Company, Inc., and BC Infinity, Inc.'s Reply in Support of Their Rule 91a Motion to Dismiss; the evidence presented; the arguments of counsel; and the current status of the law, the Court finds that the Motions should be **GRANTED IN PART and DENIED IN PART**.

¶2 For the reasons articulated below, Plaintiffs' conversion claim has no basis in law because Texas conversion law does not recognize the alleged transfer or dilution of these uncertificated LLC membership interests as conversion of property. *See Bell v. Bay Area RV Parks, L.L.C.*, 722 S.W.3d 176, 211–16 (Tex. App.—Houston [1st Dist.] 2025, no pet.). The Motions are, therefore, granted as to conversion. All other relief requested in the Motions is denied.

II. Standard of Review

¶3 Rule 91a authorizes dismissal of a cause of action that has no basis in law or fact. A cause of action has no basis in law when, taking the allegations as true and drawing reasonable inferences from them, the allegations do not entitle the claimant to the relief sought. Tex. R. Civ. P. 91a.1. In deciding a Rule 91a motion, the Court considers only the challenged pleading and pleading exhibits permitted by Rule 59. Tex. R. Civ. P. 91a.6; *MV Transp., Inc. v. GDS Transp., LLC*, No. 24-0924, 2026 WL 1261443, at *3 (Tex. May 8, 2026); *see In re Farmers Tex. Cnty. Mut. Ins. Co.*, 621 S.W.3d 261, 266 (Tex. 2021) (orig. proceeding).

III. FACTUAL BACKGROUND

¶4 The following is derived from Plaintiffs' Amended Petition. Heady Brewing Company, LLC ("Heady") owned and operated 8th Wonder Brewery.[1] In 2011, Carrington became an early investor in the brewery, contributing $50,000 in exchange for 50,000 Class A Units.[2] When Heady sought additional capital in 2014, Carrington purchased another 7,500 newly issued Class A-1 Units, and Hiller invested $25,000 in exchange for 25,000 Class A-1 Units.[3] Carrington thus held 57,500 Class A and Class A-1 Units, while Hiller held 25,000 Class A-1 Units.[4] Those Units carried economic and distribution rights in Heady but did not confer voting rights, which were reserved to the Class B members.[5] Plaintiffs retained their respective interests until the May 2023 transaction underlying this suit.[6]

¶5 On May 24, 2023, the Individual Defendants (Corsi, Soroka, and Rosenbaum) and the BCI Defendants (Benjamin Meggs, BCHC Merge, LLC, Bayou City Hemp Company, Inc., and BC Infinity, Inc.) entered into a Contribution and Exchange Agreement of Interests concerning Heady.[7] Corsi, Soroka, and Rosenbaum were designated

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[1] Pls.' Am. Pet. 1.
[2] *Id.* at ¶ 19.
[3] *Id.* at ¶¶ 20–21.
[4] *Id.* at ¶¶ 19, 21, 34.
[5] *Id.* at ¶¶ 18, 22–23.
[6] *Id.* at ¶ 28.
[7] Pls.' Am. Pet. at ¶ 28.

"Rollover Members" and received Bayou City shares.[8] On the other hand, Plaintiffs were allocated interests in a $1.125 million Convertible Promissory Note, of which Plaintiffs say they collectively received "only approximately" seven percent.[9]

¶6 On August 28, 2023, Bayou City informed Plaintiffs that it had elected to convert their Promissory Notes into Bayou City stock.[10] Carrington and Hiller each received 945 shares of non-voting Class A Common Stock.[11]

¶7 In their fourth count, Plaintiffs allege that Defendants converted Plaintiffs' Heady units by negotiating and executing the Contribution and Exchange Agreement, giving the units to Bayou City, and grossly diluting the value Plaintiffs received.[12] Plaintiffs demanded the fair value of the units, but Defendants refused.[13] The Amended Petition expressly identifies May 24, 2023 as the date of conversion and characterizes the transaction as conversion of the membership interests "into a Convertible Promissory Note."[14]

¶8 Heady's Amended and Restated Company Agreement (the "Company Agreement") governs its members' interests and the rights associated with them.[15] It provides that the members' interests "shall be represented by Units, which may, but need not be certificated."[16] It separately allows designated officers to sign certificates "if any,"

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[8] *Id.* at ¶¶ 29–30, 40–41.
[9] *Id.* at ¶ 32.
[10] *Id.* at ¶ 33.
[11] *Id.* at ¶ 34.
[12] Pls.' Am. Pet. at ¶¶ 74–80.
[13] *Id.* at ¶ 77.
[14] *Id.* at ¶ 79.
[15] *See id.* at ¶¶ 18, 22–23, 68, Ex. 3, art. III, § 1, art. VIII, § 5.
[16] *Id.* at Ex. 3, art. VIII, § 5.

but only when issuance has been authorized by a resolution of the managers.[17] The Amended Petition does not allege that Heady's managers adopted such a resolution or that Heady issued a certificate for either Plaintiff's units.[18]

IV. Analysis

¶9 Conversion is the unauthorized and unlawful exercise of dominion and control over another's personal property, to the exclusion of or inconsistently with the owner's rights. *Bell v. Bay Area RV Parks, L.L.C.*, 722 S.W.3d 176, 211 (Tex. App.—Houston [1st Dist.] 2025, no pet.); *see Cypress Creek EMS v. Dolcefino*, 548 S.W.3d 673, 684 (Tex. App.—Houston [1st Dist.] 2018, pet. denied). The threshold question is whether the property identified by the Plaintiffs is the kind of property that can be converted. *Bell*, 722 S.W.3d at 211. Generally, conversion lies only for tangible personal property. *Id.* An intangible right falls within the narrow "merger exception" only when that right has been merged into a physical document and the document itself is converted. *Id.* (citing *Prewitt v. Branham*, 643 S.W.2d 122, 123 (Tex. 1982) (per curiam); *Express One Int'l, Inc. v. Steinbeck*, 53 S.W.3d 895, 901 (Tex. App.—Dallas 2001, no pet.)).

¶10 *Bell* addressed this dispositive question in the context of an allegedly wrongful disposition of an LLC membership interest. *Bell*, 722 S.W.3d at 211–12. The First Court of Appeals distinguished decisions involving corporate stock because those cases concerned a refusal to issue physical stock certificates. *Id.* at 215. LLC interests, by contrast, are presumptively uncertificated unless the Business Organizations Code or the

[17] *Id.* at Ex. 3, art. V, §§ 6–7.
[18] *See generally* Pls.' Am. Pet. at ¶¶ 17–99.

entity's governing documents state that the interests are certificated. TEX. BUS. ORGS. CODE § 3.201(c); *Bell*, 722 S.W.3d at 215–16. Because the Company Agreement in *Bell* did not state that its membership interests were certificated, no physical document brought the claimed interest within the merger exception. *Id.* at 216. The appellate court therefore affirmed the directed verdict against the conversion claim. *Id.*

¶11 The same threshold defect appears on the face of Plaintiffs' conversion claim in this case. Plaintiffs allege that Defendants wrongfully gave Plaintiffs' Heady units to Bayou City through the Contribution and Exchange Agreement, grossly diluted the value received for the units, and refused Plaintiffs' demand for the units' fair value.[19] Those allegations concern an asserted transfer and dilution of LLC membership interests. They do not allege dominion over any tangible personal property.

¶12 Nor does the Company Agreement alter the statutory presumption that LLC membership interests are uncertificated. It does not state that Heady's interests *are* certificated. It states only that the units "may, but need not be certificated." The related provisions authorize designated officers to sign certificates "if any," and only after the managers authorize issuance by resolution. The Amended Petition does not allege that the managers adopted such a resolution, that Heady issued certificates for Plaintiffs' units, or that Defendants took or exercised dominion over any such certificates.

¶13 Plaintiffs' proposed application of the merger exception does not cure the problem. They argue that their membership interests were "merged into the Contribution

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[19] *See* Pls.' Am. Pet. at ¶¶ 74–77.

and Exchange Agreement and converted into a Promissory Note."[20] But a transaction agreement that concerns an intangible interest is not, for that reason alone, a physical embodiment of the interest comparable to a certificate. Said plainly, Plaintiffs do not allege that the Contribution and Exchange Agreement itself was converted. And the Promissory Note was alleged consideration produced by the challenged transaction—not a preexisting document embodying Plaintiffs' Heady interests. Plaintiffs do not allege that Defendants converted the Promissory Note itself. The pleaded sequence is therefore outside the merger exception. *Express One*, 53 S.W.3d at 901; *see Bell*, 722 S.W.3d at 211, 215–16.

¶14 Plaintiffs also rely on *Bamford v. Penfold, L.P.*, a Delaware Court of Chancery decision allowing a claim for conversion of LLC membership interests.[21] No. CV 2019-0005-JTL, 2020 WL 967942, at *22–23 (Del. Ch. Feb. 28, 2020). *Bell* acknowledged that same Delaware authority but, applying Texas law, nonetheless held that an LLC member could not maintain conversion under the circumstances before it. *Bell*, 722 S.W.3d at 212 n.13, 215–16.

V. Conclusion

¶15 The Court does not hold that an LLC membership interest can never support a conversion claim. The holding is limited to the facts pleaded—the Plaintiffs allege a transfer and dilution of uncertificated membership interests, not conversion of a physical document embodying those interests. Texas law does not recognize that theory of conversion. Count Four, therefore, has no basis in law and must be dismissed.

[20] Pls.' Resp. in Opp'n to Soroka's and Rosenbaum's Rule 91a Mots. to Dismiss at 29.
[21] *Id.* at 29.

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Accordingly, it is hereby **ORDERED, ADJUDGED, AND DECREED** that Sean M. Rosenbaum's Rule 91a Motion to Dismiss, Defendant Ryan Soroka's Rule 91a Motion to Dismiss, and the BCI Defendants' Rule 91a Motion to Dismiss are **GRANTED** solely with respect to Count Four of Plaintiffs' Amended Petition. Plaintiffs' conversion claim is **DISMISSED WITH PREJUDICE**. All other relief requested by the Motions, including costs and attorneys' fees, is **DENIED**.

SO ORDERED.

SIGNED: August 12, 2026

Hon. Sofia Adrogué
Texas Business Court, Eleventh Division