**NON-PRECEDENTIAL DECISION - SEE SUPERIOR COURT O.P. 65.37**

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| JOSEPH LABRUZZO<br><br>v.<br><br>JOHN BADAGLIACCA, APPROVED AUTO USA, LLC | IN THE SUPERIOR COURT OF PENNSYLVANIA |
| JOSEPH LABRUZZO<br><br>v.<br><br>JOHN BADAGLIACCA, RAYMOND RODRIGUEZ, AND DRS SALES, INC.<br><br>APPEAL OF: JOHN BADAGLIACCA, RAYMOND RODRIGUEZ AND DRS SALES, INC. | No. 1179 WDA 2025 |

Appeal from the Judgement Entered December 31, 2025
In the Court of Common Pleas of Crawford County
Civil Division at No(s): A.D. 2018-697

BEFORE: McLAUGHLIN, J., KING, J., and BENDER, P.J.E.

MEMORANDUM BY BENDER, P.J.E.: **FILED: September 22, 2026**

Appellants, John Badagliacca, Raymond Rodriguez, and DRS Sales, Inc., appeal from the judgment entered in favor of Appellee, Joseph Labruzzo, following a non-jury trial. Appellants argue that the trial court erred in permitting Appellee's suit to proceed as a direct as opposed to derivative action. After review, we affirm.

The trial court summarized the relevant facts and procedural history as follows:

> This case is about two men who tried to run two businesses together. Unfortunately, they did not observe the law or follow an agreement or business structure. The situation is summed up by a quote from [Appellant] Badagliacca in his deposition, which was admitted as an exhibit. As [Appellant] Badagliacca stated, "DRS [Sales Inc.] is all mine. So what I did with my money, I didn't have to account for it. It was all mine. So I just shuffled shit around to keep it running." After such carelessness, the parties have now come to the court to dispose of a mismanaged situation that not even the parties understand.
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> From what little we can discern from the facts as presented, [Appellee and Appellant Badagliacca] had a business relationship from 2013 until March of 2018 when the parties had a falling-out. As set forth in the parties' stipulations, they were jointly involved in the ownership and operation of Approved Auto USA, LLC (hereafter "Approved Auto") and DRS Sales Inc. (hereafter "DRS"). Approved Auto operated rental properties and DRS was a used car operation. Both [Appellee and Appellant Badagliacca] owned 50% of Approved Auto, which owned 100% of DRS. The way the parties operated the companies was loose to say the least. The parties did not follow structure or observe rules of business organizations. Although the parties signed a Limited Liability Company Operating Agreement in 2013, it became obvious to the court that neither party actually operated under, or paid attention to, the terms of the Agreement.
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> For DRS, the parties would go to auto auctions together and purchase cars. Their customers would buy the used cars on a "buy here, pay here" basis. For Approved Auto, the parties would purchase dilapidated real estate to rent to low-income tenants. [Appellant] Badagliacca would "front" the money (purchase the cars and the real estate), and [Appellee] would attempt to manage the businesses in that he "made the decisions" and "ran the real estate."
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> In 2018, the parties' relationship deteriorated, [as Appellee] thought [Appellant] Badagliacca was being controlled by their employee, Raymond Rodriguez. [Appellant] Badagliacca appeared at their business address, the parties had an argument,

> and [Appellant] Badagliacca took the keys to the rental properties. The parties reached a point where they would not talk and would not meet to communicate about the businesses. [Appellant] Badagliacca took over and began attempting to manage both companies.
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> After he took over, [Appellant] Badagliacca did not give [Appellee] information about the companies. He began collecting the rent and would put payments into his personal bank account. [Appellant] Badagliacca apparently believed that the monies he fronted were loans. The money was thoughtlessly moving back and forth between the business accounts to the personal account of [Appellant] Badagliacca without any record or accounting of the amounts coming in and going out. Meanwhile, [Appellee] did nothing to stop [Appellant] Badagliacca from mismanagement. [Appellee] knew [Appellant] Badagliacca was moving money back and forth but never asked him for an accounting or attempted to bring any order to the situation before filing this action.
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> Regarding DRS, after our trial and review of the many numbers put before the court, we find a breach of a fiduciary duty did in fact occur. [Appellant] Badagliacca was comingling funds. Whenever [Appellant] Badagliacca liquidated DRS, he did not split the money with [Appellee]. [Appellant] Badagliacca never gave money to [Appellee] at all, whether the funds were coming from DRS or Approved Auto.
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> Although [Appellant] Badagliacca does not believe he breached a fiduciary duty, he concedes that if there were a breach, he would owe some money to [Appellee]. The court doubts that even the parties know how much. All things considered, we find [Appellee] is entitled to be compensated for his 50% share of DRS proceeds that [Appellant] Badagliacca took for himself, which is $68,672.17.

Trial Court Opinion, 8/26/25, at 1-4 (citations and footnotes omitted and some formatting altered).

Following the non-jury trial, the trial court filed an order announcing its verdict in favor of Appellee in the amount of $68,672.17. Order, 8/26/25 (single page). On September 2, 2025, the trial court filed an order clarifying the August 26, 2025 order, explaining that $42,412.41, which had been held in escrow by the Crawford County Prothonotary, would be distributed to Appellee, and therefore, the amount that remained outstanding and owed to Appellee was $26,259.76. ***See*** Order, 9/2/25, at 1-2; Judgment, 12/31/25 (single page).

Appellants filed a timely notice of appeal.[1] Both the trial court and Appellants have complied with Pa.R.A.P. 1925.

On appeal, Appellants present the following issue:

> Did the trial court commit an error of law when it held that [Appellant] Badagliacca breached a fiduciary duty based on facts that showed only derivative claims?

Appellants' Brief at 4. Appellants argue that Appellee's claim was a derivative action, and the trial court erred in permitting Appellee's suit to proceed as a direct action. ***See id.*** at 8-14.

At the outset, Appellee observes that Appellants failed to file a reproduced record or designation of the reproduced, in addition to several other violations of the Pennsylvania Rules of Appellate Procedure. Appellee's

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[1] Appellants filed their notice of appeal prior to the entry of judgment, and on December 23, 2025, this Court directed Appellants to, among other things, praecipe for entry of judgment. Order, 12/23/25, at 2-3. Judgment was ultimately entered on December 31, 2025, perfecting this Court's appellate jurisdiction. ***See Johnston the Florist, Inc. v. TEDCO Const. Corp.***, 657 A.2d 511, 513 (Pa. Super. 1995) (*en banc*) (explaining that this Court's appellate jurisdiction is perfected where the appellant prematurely appealed but judgment was subsequently entered).

Brief at 10-12. Appellee contends that, due to these deficiencies, this Court should dismiss the appeal. ***Id.*** We note that the Rules of Appellate Procedure are mandatory, and Appellee is correct that this Court may dismiss an appeal when the rules are violated. ***See Jacobs v. Jacobs***, 884 A.2d 301, 305 (Pa. Super. 2005). However, because we conclude that appellate review is not precluded, we decline to dismiss the appeal. ***See id.***

Our standard of review is as follows:

> Our appellate role in cases arising from non-jury trial verdicts is to determine whether the findings of the trial court are supported by competent evidence and whether the trial court committed error in any application of the law. The findings of fact of the trial judge must be given the same weight and effect on appeal as the verdict of a jury. We consider the evidence in a light most favorable to the verdict winner. We will reverse the trial court only if its findings of fact are not supported by competent evidence in the record or if its findings are premised on an error of law. However, where the issue concerns a question of law, our scope of review is plenary.

***Bank of New York Mellon v. Bach***, 159 A.3d 16, 19 (Pa. Super. 2017).

This Court has explained:

> When a member of an LLC wishes to enforce her rights and interests in the company, she may bring a direct action against managers or other members if she is able to "plead and prove an actual or threatened injury that is not solely the result of an injury suffered or threatened to be suffered by the [LLC]." 15 Pa.C.S. § 8881(b). Otherwise, the member must pursue a derivative action to enforce the LLC's rights in accordance with 15 Pa.C.S. § 8882.

***Big Bite Real Estate, LLC v. Ilera Holdings, LLC***, 2906 EDA 2024, 2026 WL 948930, at *10–11 (Pa. Super. filed April 8, 2026) (unpublished memorandum).[2] Importantly, the allegations in the complaint determine whether a suit is direct or derivative. ***See Reifsnyder v. Pittsburgh Outdoor Advertising Co.***, 173 A.2d 319, 320 (Pa. 1961).

In its Rule 1925(a) statement, the trial court addressed Appellants' issue as follows:

> This court is familiar with 15 Pa.C.S. § 1717 *Limitation on standing*, that mandates that a shareholder does not have standing to sue when the alleged harm was done to the corporation itself. However, this is not absolute. A shareholder does have standing to sue if the shareholder alleges a direct, personal injury that is independent of any injury to the corporation and the shareholder must be entitled to receive the benefit of any recovery. ***Hill v. Ofalt***, 85 A.3d 540 (Pa. Super. 2014).
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> In his Complaint, [Appellee] pled that [Appellant] Badagliacca effectively shut out [Appellee] from both businesses and attempted to accomplish "this squeeze out" by blocking [Appellee's] access to any and all information to the business operations. The only one being harmed by [Appellant] Badagliacca's conduct was [Appellee]. The harm was of a personal nature. This was not a situation where either of the businesses [Approved Auto USA, LLC or DRS Sales, Inc.] would be exposed to multiple actions and there was no evidence that creditors would be prejudiced by [Appellee] pursuing his claims as an individual. With an intentional squeeze out, the businesses were not the target of the harm.
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> In contrast, in ***Hill v. Ofalt***, the Superior Court pointed out that the "appellant never claimed that appellee Ofalt attempted to freeze him out of the business" and did not plead that Ofalt owned him any particular duty. ***Hill v. Ofalt***, 85 A.3d 540, 551 (Pa. Super. 2014). Here, [Appellee] in fact did claim that [Appellant] Badagliacca attempted to squeeze him out as set forth in the Complaint. The injury was personal, and [Appellee] pled a cause

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[2] ***See*** Pa.R.A.P. 126(b) (unpublished non-precedential decisions of Superior Court filed after May 1, 2019, may be cited for persuasive value).

> of action for breach of fiduciary duty where the [Appellant Badagliacca] intended to cause injury to [Appellee] individually.
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> [Appellee] came forward with evidence of a direct injury that was personal to him. [Appellant] Badagliacca's intentions were calculated to oppress [Appellee]. [Appellee] produced evidence that [Appellant] Badagliacca engaged in a course of conduct that was an intentional attempt to squeeze or freeze him out. [Appellee] never alleged or focused on the allegation that either business was being harmed by [Appellant] Badagliacca's conduct. As [Appellee] pled, supported, and ultimately proved, [Appellee] himself was the target of the harm. Accordingly, this court did not err in permitting [Appellee] to pursue his claims in his individual capacity.

Rule 1925(a) Statement at 2-3 (some formatting altered).

As noted previously, we decline to dismiss the appeal as we are not precluded from reviewing Appellants' claims. However, we agree with Appellee's assertion that Appellants have failed to develop their argument with citations to the record. ***See*** Appellee's Brief at 11-12. It is not this Court's responsibility to scour the record to find documents that may support an appellant's argument. ***See Milby v. Pote***, 189 A.3d 1065, 1079 (Pa. Super. 2018) (explaining that it is not the duty of the reviewing court to develop an argument for an appellant or scour the record to find evidence to support an argument). Appellants cite nothing in the record regarding the parties' business operating agreements, ownership structure, or direction for distribution of income and assets. Appellants do not even reference the documents establishing the existence or formation of any business entity. Critically, Appellants identify nothing in the record to contradict the trial court's conclusion that Appellee pleaded and proved that Appellants attempted to freeze him out and caused him direct, personal harm sufficient to sustain a direct action.

In any event, our review of the record confirms the trial court's conclusion that Appellee alleged that Appellant Badagliacca sought to "freeze out" Appellee and that these actions caused harm directly to Appellee rather than to shareholders generally. ***See*** Complaint, 11/29/18, at ¶¶33-46; Rule 1925(a) Statement at 1-3. Accordingly, we discern no error in the trial court's determination that Appellee established he was directly harmed by Appellant Badagliacca's actions, and as such, there was no error or abuse of discretion in the trial court's decision to allow this case to proceed as a direct as opposed to derivative action. ***See Big Bite Real Estate, LLC***, 2026 WL 948930 at *10–11; ***Reifsnyder***, 173 A.2d at 320. For these reasons, Appellants are not entitled to relief.

Judgment affirmed.

Judgment Entered.

Benjamin D. Kohler

Benjamin D. Kohler, Esq.
Prothonotary

DATE: 9/22/2026