



Expert Analysis

Tycoon Held in Contempt for Failure to Honor Judgment; Ordered to Pay Fine, Attorney's Fees

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Special to the New York Law Journal

Energy tycoon Jack Grynberg has been held in contempt by a New York state court for failing to pay a \$1.7 million judgment in a contract dispute with his partners in a joint venture to drill natural gas wells, and for disobeying a 2005 order blocking him from continuing to litigate the dispute.

Manhattan Supreme Court Justice O. Peter Sherwood ordered Mr. Grynberg to pay a \$250 fine and to pay the partners' legal fees for the contempt proceedings and for a separate lawsuit in Wyoming.

Leonard F. Lesser of Simon Lesser in Manhattan, the partners' attorney, said he and his client were still determining the amount of those fees.

The convoluted legal battle, which has spanned 10 years and landed in courts in three states, revolves around L&R Exploration Venture, a joint venture formed by Mr. Grynberg and several other individuals in 1960 to explore and drill for natural gas in Wyoming, according to the contempt order in 101646/02. L&R drilled 28 natural gas wells, most of which are still productive, according to the decision.

In 2000, a family involved in the joint partnership accused Mr. Grynberg of collecting revenue from the gas wells for himself instead of distributing it to the members of L&R, the decision said. In response, Mr. Grynberg and his wife, Celeste—to whom he assigned 99 percent of his 41.5 percent share in L&R in 1994—sued the other L&R partners in Colorado state court for a declaratory judgment that he had fulfilled his obligations to L&R, and that, moreover, L&R owed him close to \$13 million for his management services over the previous 40 years.

In 2002, the other partners sued Mr. Grynberg in New York Supreme Court, seeking to stay the Colorado lawsuit and to enforce an

arbitration clause in the joint venture agreement. That clause also set New York, home to most of the partners, as the venue for arbitration. Both cases were stayed while a special master in New York considered whether Mr. Grynberg had enough business contacts in the state for the court to exercise jurisdiction over him. In July 2004, the special master concluded that the New York court could exercise jurisdiction, and the dispute went forward in New York.

On April 1, 2005, the New York court found in favor of the L&R partners, ordering Mr. Grynberg to arbitrate any disputes related to the 1960 joint venture agreement, and enjoining him or anyone acting on his behalf from starting new court proceedings related to it.

After an unsuccessful request by Mr. Grynberg for leave to appeal to the Appellate Division, the parties proceeded to arbitration. In November 2008, an arbitration panel ordered him to pay the other partners a total of \$3.5 million, and the partners moved to enforce the award. Mr. Grynberg distributed \$1.8 million, the amount remaining in L&R's operating account that he controlled, but refused to pay the rest of the judgment, according to Justice Sherwood's decision.

The partners then sought to file the judgment in Mr. Grynberg's home state of Colorado, a process known as domesticating the judgment. The Colorado District Court for Arapahoe County granted the request. The partners subpoenaed Mr. Grynberg in order to depose him about the location of his assets, so that the judgment against him could be executed. On Jan. 13, 2010, the day before the deposition, Mr. Grynberg's process server handed Mr. Lesser a new lawsuit, filed in Wyoming by Mr. Grynberg's wife.

The new suit contained the same allegations and facts as the earlier Colorado lawsuit, and the Wyoming court granted a motion by the partners to dismiss it with prejudice, finding that Mr. Grynberg and his wife were in privacy. The partners then initiated contempt

proceedings in the New York court.

In his ruling holding Mr. Grynberg in contempt, Justice Sherwood found that the Wyoming suit, clearly filed on behalf of Mr. Grynberg, was a violation of the April 2005 order. Mr. Grynberg, the judge wrote, "may not nullify an order by carrying out forbidden acts through his wife."

"Her decision to step into Grynberg's shoes and commence an action in Wyoming was an affirmative act of resistance to the court's restraining order," Justice Sherwood wrote.

The justice further ruled that Mr. Grynberg's legal maneuvering had harmed the partners, forcing them to incur additional legal fees litigating the Wyoming case and the contempt proceeding.

"The history of this proceeding reveals that Grynberg is engaged in a consistent pattern of delaying tactics that has impeded petitioners' efforts to proceed to arbitration and to secure the fruits of the arbitration award," the justice wrote.

"My clients are pleased with Justice Sherwood's decision to hold the Grynbergs in contempt for their violation of the court's prior injunction," Mr. Lesser said. The ruling reaffirms the controlling contempt standards and applies them "to the Grynbergs' misconduct," he said.

Mr. Grynberg has filed dozens of lawsuits against energy companies over the last 20 years alleging various forms of fraud. Most have ended in dismissal or undisclosed settlements. He is currently litigating a whistleblower suit on behalf of the federal government against numerous energy companies.

Mr. Grynberg's attorney, Ronald Minkoff of Frankfurt Kurnit Klein & Selz, said he and his client were reviewing the decision and considering their options.

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