1	STATE OF NEW YORK SIXTH JUDICIAL DISTRICT SUPREME COURT COUNTY OF BROOME
2	SUPREME COURT COUNTY OF BROOME
3	STEPHEN RICHARDS
4	Plaintiff,
5	-against- INDEX 2010-1095
6	SUPPLIER DISTRIBUTION CONCEPTS, INC. AND MDR CUSTOM COMPONENTS, LLC. MOTION
7	MAD FIDIR COSTON CONTONENTS, BEC. MOTTON
8	Defendants.
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10	Broome County Courthouse Binghamton, New York 13902
11	June 8, 2010
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13	BEFORE: HON. FERRIS D. LEBOUS, Justice
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15	APPEARANCES:
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17	For the Plaintiff: JOSEPH J. STEFLIK, JR., ESQ.
18	For the Defendant: WARREN B. ROSENBAUM, ESQ.
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22	Reported by: CATHERINE A. ANDREWS Senior Court Reporter
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THE COURT: Good afternoon everyone. All right. This is in the matter of the application of Richards versus Supplier Distribution Concepts and MDR Custom Components, LLC.

Let me get counsel's appearances on the record, please, starting first with the petitioner.

MR. STEFLIK: Joseph J. Steflik, Jr.; Coughlin & Gerhart, Binghamton, New York for the petitioner.

MR. ROSENBAUM: Warren Rosenbaum; Woods, Oviatt, Gillman from Rochester, New York for the respondents.

THE COURT: As I understand it, we've got three matters. One petition seeking the involuntary dissolution of both of the defendants, the respondents cross-moving for a change of venue to Monroe County, and the petitioner cross-moving for a discretionary retention here in Broome.

MR. STEFLIK: That's correct, your Honor.

THE COURT: Obviously there is a lot going

on here.

Can somebody explain to me what is really

driving all of this?

MR. ROSENBAUM: Your Honor, all of this, of course, is outside the record. So, if you permit me I will --

THE COURT: Sure.

MR. ROSENBAUM: Your Honor, it's my understanding that there has been a long-standing dispute between one of the principals of the respondent whom I represent Charles Decarr --

THE COURT: Okay.

MR. ROSENBAUM: And Mr. Steflik's petitioner Mr. Richards.

THE COURT: Right.

MR. ROSENBAUM: There is a concern, there has been a concern for quite some time by the other shareholders of the corporation and the other two members of the limited liability company that Mr. Richards simply is not carrying his weight, if you will.

Mr. Richards as a result has felt that he has not been correctly remunerated. And I think there is an effort here on the part of Mr. Richards to see if he can get some money out of this thing.

And I believe and, again, I am reading between the lines and I've handled enough of these to sort of be able to read between the lines --

THE COURT: As I am sure Mr. Steflik has, as well.

What I am trying to do here, counsel, both of you just cut to the chase. I want to get to a bottom line and see how we can get this thing on track and resolve it as painlessly as possible. That's why I am asking for the background.

MR. ROSENBAUM: Okay.

THE COURT: But go ahead.

MR. ROSENBAUM: I am prepared to argue the motion, your Honor, if that's okay with the Court.

THE COURT: No. But I wanted to hear the rest of what you had to say.

MR. ROSENBAUM: That pretty much is it. That's it.

There is a provision under Business

Corporation Law relating to the corporation that would give our client an opportunity to indicate that they wish to buy Mr. Richards out under

1118 of the BCL. The filing of that and service of that notice of intent would act to stay the proceedings with regard to the corporation.

There is no -- we haven't -- our client has not determined yet whether he wishes to make that election. The time within which to do so will not expire until sometime in July. And the question of where this case is going to be venued has something to do with the decision making process.

The other thing is, your Honor, the LLC there is no parallel provision to elect a buy-out. The petitioning limited liability company member, however, it -- we believe and our client believes that there's very few, if any, assets remaining in the LLC and really very little in the way of value.

It's not clear that even our client will oppose the motion or the petition to dissolve the LLC, and I think our client's primary interest will be to see to it that it's conducted in an orderly fashion.

There is a genuine issue with regard to the corporation, your Honor.

THE COURT: Let me -- Joe, let me ask you.

MR. STEFLIK: Yes.

THE COURT: And, Mr. Rosenbaum, thank you for that background and that information.

MR. ROSENBAUM: Sure.

THE COURT: Let me ask, Warren outlined what we had here. From your perspective, I mean just factually before we get to the motions here, what does your client want to accomplish here?

MR. STEFLIK: He wants to accomplish either I think under -- I think Warren is exactly right. Under the Business Corporation Law or under the LLC law to either dissolve the two entities or, you know, have the buy-out one way or the other.

It almost reminds me when I was little and my mother -- my brother and I used to fight over comic books. And she'd say, Joe, you make a pile and, Dave, you pick. It's almost similar.

THE COURT: Warren, who wants the superman?

MR. STEFLIK: Yeah. Which is the better pile.

But I think under, well, 1104-A is for the dissolution of the corporation. And in Leibert

versus Clapp Court of Appeals decision there is no question that the parties are at odds.

THE COURT: Okay.

MR. STEFLIK: And the corporation was one third, one third, one third.

THE COURT: Which I saw historically.

MR. STEFLIK: I think he sold his interest to Mr. Decarr's wife. You couldn't do that with the LLC, so those three remain. And everybody is at odds with everybody.

I think we're in a situation where you have the remedy under Business Corporation Law.

I'm a little -- I agree there is no statutory provision under the LLC, but the Court of Appeals there is also no provision for a derivative action. And the Court of Appeals a year or so ago said that they would imply derivative action. I think they'd probably imply some kind of buy-out of that.

So, I think the facts are clear. They're at odds, your Honor, and the choices are either dissolve or buy out the minority or the minority buys out the majority. It's a question of valuation of the companies.

THE COURT: Now, your client -- looking a

little bit at the motion, Joe, Warren's client obviously didn't bring the petition here, but --

MR. STEFLIK: That's correct.

THE COURT: The initial petition.

MR. STEFLIK: Yes.

THE COURT: In addition to dissolution he's looking to protect certain interests in other things, is he not --

MR. STEFLIK: That's correct.

THE COURT: -- as a shareholder?

MR. STEFLIK: That's correct.

THE COURT: Warren, why wouldn't that give me not only jurisdiction, but why wouldn't venue be proper? He's not looking just for dissolution, he's also looking to exercise certain rights as a director, shareholder, whatever in the corporation.

And here's what I am driving at. You know, just in terms of judicial economy, why don't we -- because no matter what I do here, let's say I say, Warren, you're right. This should have been brought in Monroe County in the first instance and Joe goes up and makes a motion to change venue.

And with the information I've seen in your

petition, it sounds to me as if a lot of what has been going on down here with the criminal investigation and otherwise involves numerous witnesses from this area.

MR. STEFLIK: That's correct.

THE COURT: Although I think the papers may be a little bit thin, Joe, on, you know, all of these people saying, yes, we're going to testify and here's why it's inconvenient to me.

Warren, what I was hoping to do and what I am looking at, why don't I hang on to this and see if I can get you guys on some sort of schedule so you two can move forward in accordance with how you'd like to proceed?

In other words, if you want to explore a buy-out, you know, I will set it down for a hearing on the petition. We can do discovery. We can do whatever you want. But rather than run everybody all over right now, it sounds as if the two of you are probably going to be able to work this thing out, I would hope.

MR. ROSENBAUM: I don't know about that.

I appreciate the Court's interest in looking into having an efficient method of resolving the dispute between the parties, but our client

improper venue for this proceeding.

It was the petitioner who elected this

really believes, your Honor, that this is the

It was the petitioner who elected this remedy. The remedy in the statute is very clear in our view, and in view of the courts. In the case we've cited this there is a mandatory venue proceeding. If you bring a petition to dissolve a corporation or dissolve an LLC it must be brought in a county in the judicial district in which the office of the corporation or the LLC is located. The statute brooks no exceptions to that, your Honor.

And it makes it very clear that adding additional requests for remedies -- and I don't read the petition, your Honor, as seeking anything other than dissolution and related remedies to dissolution. The statute does not allow for it to be brought in any other county.

It's very clear, your Honor, this was an improper county to bring it in Broome County and as a result, but for the cross-motion there would be nothing else for the Court to consider in our view, your Honor. And I think the cases are very clear.

We want this case to be heard in Monroe

County for reasons that have nothing whatever to do with our faith and confidence in your Honor, of course. We believe it would be best to be in Monroe County for our client.

And as far as the cross-motion is concerned, your Honor, it's woefully inadequate. Even assuming that 510(3) of the CPLR gave the Court discretion -- and by the way there is not one single case cited by Mr. Steflik that stands for the proposition that in the face of the mandatory venue provision of the BCL or Limited Liability Company Law the Court retains jurisdiction under 510(3) to change venue for the convenience of witnesses.

Assuming the Court had that discretion, your Honor, if you look at every single one of the Third Department cases we cited including the case that stands for the proposition that -- and with a venue statute like this, this a strong presumption -- venue must be in the county where the statute provides for it.

But even assuming that we could overcome that, Mr. Steflik simply hasn't given the Court enough information, enough information based on personal knowledge to invoke the Court's

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discretion under 510 even if that discretion existed.

He doesn't tell us how these witnesses relate to the materiality of any of the allegations in the petition, any of the salient allegations in the petition. He doesn't say why their testimony is necessary. He doesn't say he contacted them and they're willing to testify. He doesn't really tell the Court how they would be inconvenienced. He doesn't really make a claim that he's spoken to any of the witnesses about their testifying and how they're being inconvenienced.

If you look at Third Department case law, you will see a number of reversals where the Appellate Division has reversed a change of venue decision where the showing has not been made.

And so, your Honor, we think -- we don't really think -- with all due deference to my opponent here -- we don't think there has been anything close to what the Court would need to grant Mr. Steflik's cross-motion.

So we think, your Honor, that there is nothing that can be done here except to grant

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our motion, deny the cross-motion, deny the cross-motion and have the case shipped to Monroe County. And we'll get into the questions of valuation if we ever get that far.

MR. STEFLIK: Let me just -- he raised several issues. Let's take the venue issue first.

I think the Dykeman case is clear that the action was brought in the county of the offices, they were brought where the company offices were Again, it was a four to one. located. The four to one was for retaining the original venue. There was an argue of some kind of sham proceeding to change the venue in that case, and it was brought up in the dissent. But the majority skipped over that and said, the record further establishes that Nassau County has little connection to the corporation's affairs or the alleged misconduct and that the convenience of material witnesses means that justice would best be served by trial in New York County. So there was a split there. And that's an 1104-A dissolution action. would obviously cover the venue petition.

In addition, I think the Margolis case

which I cite in the brief says that even though you don't meet all the elements, if you have substantial elements then the transfer venue retention is proper.

One thing here in this case, is that in both those cases in the pleadings their opposition papers showing the witnesses that the other side was going to produce. Here there is no witnesses other than the party witnesses which we did not take into consideration.

As opposed to the witnesses and what they're going to testify to, clearly the two of the primary ones which are covered in the affidavits and in the list would be Sandra Boatwright of Universal Instruments who was in direct contact with Mr. Decarr, and now the state police who Mr. Decarr contacted.

THE COURT: Let me ask you about that. Hang on one second.

Mr. Decarr did, did he not, contact the state police down here? He did or didn't do that?

MR. ROSENBAUM: I can't -- I can't answer that one way or the other.

THE COURT: But the state police here are

investigating or were investigating a criminal allegation?

MR. ROSENBAUM: I can't answer that either, your Honor. I have not spoken to the state police. I cannot speak on firsthand knowledge, and I don't think there is anything in the papers that indicates based on firsthand knowledge there is any criminal investigation going on.

But I know where the Court is going on this but, again, we have to look -- we have to -- we have to put those allegations regarding the state police next to the allegations in the petition to decide how they relate to the petition.

THE COURT: That's what I am looking at.

Because I will tell you what, if all of this

comes into play, if your client felt strongly

enough to start a criminal investigation down

here, got the district attorney down here

involved who then turned over and said it's a

civil matter. He didn't call the state police

up in Rochester, he called them down here.

And I'm just getting a sense that there is enough going on here and with the witnesses that

Mr. Steflik has witnesses he identified. And the fact that he's looking for relief over and above just dissolution. He's claiming he hasn't been paid, he hasn't gotten his share of the proceeds, unilaterally changed that.

I mean I think that's all part and parcel of the petition for dissolution. He's not just looking for sheer dissolution. He's saying in addition I have been cheated, short changed, accused of criminal conduct. And obviously the conduct must have taken place down here or the state police in Rochester would have been called not down here in Troop C, so.

MR. ROSENBAUM: Your Honor, may I --

THE COURT: Go ahead.

MR. ROSENBAUM: A footnote to that.

THE COURT: Yes.

MR. ROSENBAUM: The whole thing with the state police, your Honor, all occurred after the petition was filed. Okay. None of this is contained in the petition. None of this is related to any of the bases for the dissolution contained in the petition. Your Honor, all of this occurred afterwards.

And it would be very difficult to see how

Mr. Steflik's client can boot strap himself into setting forth a basis for retaining venue in Broome County by acts that occurred after the petition was filed that are not related to the petition and are not mentioned in the petition.

So, your Honor, you know, we got into the state police argument if the Court may recall when I had asked for an adjournment and Mr. Steflik said there is -- we can't agree to the adjournment because Mr. Decarr has gotten the police involved and we've got to keep moving this thing along. That's why we're arguing this thing today instead of the Court's normal motion term. It has nothing to do with the allegation in the petition.

I understand we might want to accommodate Mr. Steflik and we might want to accommodate his client Mr. Richards, but that's simply not the law.

And, your Honor, I don't think and I -- I am a pretty good reader of body language, your Honor, and I am reading yours, but I really don't think that there is any discretion here, your Honor, and I think it would be in error to grant the cross-motion and deny the motion.

THE COURT: Mr. Steflik.

MR. ROSENBAUM: And by the way, your

Honor, the one case — the one case which has
any relationship to the legal issues in this
case cited by Mr. Steflik the Dykeman case, that
case is a First Department case and very
clearly, your Honor, and it's not the dissent
that cites the sham change of the address of the
corporation, it's the majority that's cited as a
basis.

THE COURT: Right.

MR. ROSENBAUM: Saying this was a sham change of the office of the corporation to try to boot strap themselves into changing, making a different venue determination.

THE COURT: What about the Tashenberg case?

MR. ROSENBAUM: Cashenberg? Which one is that?

THE COURT: That's the one they say if the proceeding is simply a special proceeding for a judicial dissolution, venue would lie in the district which the office of the corporation is located but when the petitioner seeks various other types of relief whether as a stockholder,

MR. ROSENBAUM:

collector or officer or on his own behalf, his county of residence is proper for purposes of venue.

I don't know that case,

your Honor. Is that one cited by Mr. Steflik?

THE COURT: Yes. It's 89 AD2d 812 and
that's what I am looking at here. Whether or
not -- let's assume you're right that I don't
have enough discretionary factors. I see this
as being individual rights involved, as well.

And quite frankly, what's motivating me here is judicial economy. There is no need I don't believe with all due respect to you,

Mr. Rosenbaum --

MR. ROSENBAUM: Call me Warren, please.

THE COURT: Warren. Because I have been calling Joe Joe.

With all due respect to you, Warren, I think we're fully capable of resolving this in a fashion that you gentlemen are going to be able to work out whatever you have to do. If you have to come in for judicial dissolution and have a hearing, we'll do that. But rather than bounce back and forth and get -- and I don't know. Maybe your client, you know, if he's not

happy with me retaining jurisdiction here and same venue is proper here maybe he wants to appeal. Maybe he wants to tie this up in court or does he want to get it resolved?

I guess I'm a practical, a practically oriented person. I like solution and resolution rather than judicial jockeying.

With all due respect to the argument you are making, I understand what you are saying but I'm just saying, look, we're here. We agree -- we know there is a problem here between these two people and they need to work this out whether they do it by buy-out or something else. I'm assuming we can do that.

MR. ROSENBAUM: I don't want the Court to think of me as a contrarian, your Honor.

THE COURT: Believe me, I understand. I understand how we have to advocate.

MR. ROSENBAUM: I have been doing this for 37 years and with a pretty steady diet of these types of case.

THE COURT: I'm sure more so than I have.

MR. ROSENBAUM: And I would say this again with all due respect to the Court, we don't believe -- the case the Court has just

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cited -- and, again, I am not completely 1 2 familiar with it. When you compare to the 3 allegations in this petition we don't think that Mr. Steflik gets there anywhere close, and whether or not whether or not our client would appeal or not I am certainly not prepared to say 6 that. THE COURT: I understand. MR. ROSENBAUM: I can tell you this. 11

feel very strongly that Monroe County is the proper venue for this statutorily and otherwise and that's what we would like it to be. given other circumstances and another case we would love to be here before your Honor and I can tell just -- just in the few minutes we have been together here I think you and I would be able to with Mr. Steflik do very well on any case, but I really think this belongs in Monroe County and I must stand on that.

THE COURT: All right. And with all due respect to your position and I agree that as a general rule that for venue purposes or purposes of determination of venue, the location of the corporation's principle office is determined by the destination in either its certificate of

incorporation or the papers under the LLC and that in this circumstance both under BCL Section 1112 and LLC Section 702, that Monroe County was, in fact, listed as the principle office.

However, there are exceptions, and the exceptions that would override venue would -- one of them would be that when the petition filed for judicial dissolution is while it's proper in the district where the corporation is located pursuant to their certificates or the LLC is located in their papers, if the petitioner is seeking other types of relief on his own then as I read this petition to contain, then the matter is properly venued where the petitioner resides. And so, and in addition to that -- and that's the -- that's the Tashenberg versus Breslin case 89 AD2d 812.

And for discretion purposes while it may be thin looking at CPLR Section 510 Subdivision 3 I weighed the four factors listed there and I weighed the four factors listed under O'Brien Vassar Brothers Hospital, 207 AD2d 169. While I realize it may be thin as I stated as part of this oral argument, the local police agency state police have been involved here in

investigating conduct which would come into play as we hear this petition. The district attorney's office has been involved. Local business people have been contacted indicating why they should or should not do business with the petitioner. And a list of 42 witnesses based either in Broome, Cortland, or Chenango Counties has been outlined.

And so, notwithstanding the statutory authority to BCL Section 1112 and LLC Section 702, the Court finds on these circumstances that CPLR Section 510(3) permits me to exercise discretion to retain venue for the convenience of the witnesses and, in my opinion, the ends of justice will be promoted and judicial economy will be promoted by getting a handle on this thing now, putting the brakes on, and getting this thing resolved in as mutually agreeable a fashion as possible.

So, rather than continue our judicial jockeying, with all due respect to Mr. Miller's (sic) client and Mr. Miller's competent arguments --

MR. ROSENBAUM: You mean Mr. Rosenbaum.

THE COURT: I'm sorry, Mr. Rosenbaum.

Richards -v- Supplier Distribution, et al

Mr. Rosenbaum's arguments --1 2 MR. ROSENBAUM: Okav. THE COURT: -- then I am, that's the 3 4 decision of the court. If you'll submit the appropriate order on 5 notice. 6 7 If there is an appeal I would direct that a copy of the transcript be provided with the 8 order to the Appellate Division. 9 10 MR. STEFLIK: Thank you, your Honor. 11 THE COURT: All right. 12 MR. ROSENBAUM: Thank you. 1.3 THE COURT: And so, I am -- with regard to 14 the petition seeking dissolution, the only thing I can do is I guess meet with counsel and see if 15 16 we can either come up with a hearing date or set 17 a discovery schedule. I am willing to do that 18 now, if you like. 19 MR. ROSENBAUM: I need to confer with my 20 client. 21 THE COURT: Okay. Under the current --22 MR. ROSENBAUM: Court's current order to show cause there is a 23 24 stay of these proceedings. I am assuming that 25 stay will remain in place until some period of

Richards -v- Supplier Distribution, et al

time after the order is entered and served? 1 2 THE COURT: Yes, sir. And Mr. Steflik's order 3 MR. ROSENBAUM: 4 will so indicate the time in which the petition has to be answered? 5 MR. STEFLIK: That's fine. 6 THE COURT: Yes, sir. 7 8 MR. STEFLIK: We can talk on a date. MR. ROSENBAUM: 9 Okay. 10 THE COURT: That's all then. Off the record. 11 (Whereupon a discussion was held off the 12 13 record.) 14 15 16 17 18 19 20 21 22 23

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CERTIFICATION

6 COUNTY OF BROOME

STATE OF NEW YORK

I, CATHERINE A. ANDREWS, Senior Court Reporter, do certify that the foregoing transcript is a true and accurate transcription of my verbatim stenographic notes made in the above-entitled matter on the above-mentioned date.

CATHERINE A. ANDREWS

CATHERINE A. ANDREWS Senior Court Reporter