

Appeals court boosts \$112M Tabak bid for stake in Ring portfolio

September 01, 2011 06:30PM

By Adam Pincus



From left: Eli Tabak, Frank Ring, 251 Park Avenue South and 212 Fifth Avenue

A state appeals court panel today backed jilted joint-venture partner Joseph Tabak in his effort to buy a \$112.4 million stake in the mostly underperforming 14-building Ring portfolio of office properties concentrated in Midtown South.

The interim ruling handed down this morning does not provide a final victory for Tabak in his struggle to gain an equity stake, but it gives him some breathing room while a lawsuit filed in May winds through the courts.

Tabak, principal with Midtown-based Princeton Holdings, led investors, including the Bluestone Group, which counts his brother Eli as a principal, in hammering out an agreement to buy a 50 percent stake in Michael Ring's share of the properties in February this year. Ring and his brother Frank each own a 50 percent share through a "tenancy in common" in the portfolio, which includes buildings such as 251 Park Avenue South and 212 Fifth Avenue.

Tabak's attorney, Janice Mac Avoy, a partner with law firm Fried, Frank, Harris, Shriver & Jacobson, said the ruling boded well for the future.

"I don't think the court would grant a stay unless it believed our appeal was meritorious," she said.

Princeton Holdings declined to comment. Michael did not immediately return calls seeking comment.

By April 15, Princeton Holdings had put nearly \$10 million in escrow, but Ring backed out of the deal, and in May, Tabak sued for the temporary restraining order and arbitration.

In a defeat for Tabak, as previously reported on July 19, State Supreme Court Justice Bernard Fried turned down Tabak's request for the temporary restraining order. But only two weeks later that was partially reversed and today the five-judge panel affirmed the decision to keep the restrictions on the properties while an appeal of the Fried decision is ongoing. Arbitration is underway, several insiders said.

So now it's a race between the appeals court and the arbitrators. In June, Justice Bernard Fried ruled in favor of Ring, throwing out the restraining order against selling, leasing or mortgaging the properties while the arbitration was underway. The five-judge panel reinstated the restraining order, but it expires when the appeals court process ends. While a source close to the dispute said the arbitration could be settled in about four months, another source said it could drag on far longer.

Now Tabak will be trying to move quickly, while Ring may want to drag his heels, insiders said. That's because if Tabak loses the appeal which is expected to be heard in January, and the arbitration drags on, Ring would once again be free to sell, lease or mortgage the properties.

The ruling should not be interpreted as a final win for Tabak, said commercial litigation attorney Y. David Scharf, who is not involved in the dispute.

"The court wants to take a closer look at the matter and maintain the status quo until that review is complete," he said. "If the arbitration and the arbitrators' decision is made before the appellate court rules on the appeal, then this decision will have effectively given Joe Tabak all that he was seeking in starting this matter -- a stay pending the arbitration."

Tabak wanted the restraining order because, as he claimed in court papers filed earlier this year, Michael appeared to have contracted to sell the 47,490-square-foot 114 East 25th Street, between Park and Lexington avenues, "as evidenced by a \$31 million senior mortgage finance request for the acquisition."

If Tabak wins the right to buy a share in the properties, he plans to seek a court directed sale of the properties in order to buy out Frank's shares so that they can be developed in the future.