

THE ISLAND PACKET – Jury Awards \$7.8M in suit against Sea Pines

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BY E.J. SCHULTZ, The Island Packet

A Beaufort County jury has awarded two businessmen \$7.8 million in a breach-of-contract lawsuit against the Sea Pines Co.

The unanimous judgment, issued Wednesday, comes more than seven years after Thomas DiVenere and Pete Pomranz filed the civil lawsuit against Sea Pines over development work done for Hilton Head Island's TidePointe retirement community.

The two men filed the lawsuit against Sea Pines and now-defunct P.I.E. Financial Corp., the initial partners in the TidePointe project, claiming the companies squeezed them out of the project after the two men laid the groundwork for the development, which opened in 1996.

DiVenere's lawyer, Richard Rosen, said Thursday that the \$7.8 million award represented lost development fees and ownership stakes the two men would have had in TidePointe, which was purchased in 1998 by its current owner, Classic Residence by Hyatt, the senior living affiliate of Hyatt Corp.

"I think they (were) righted," Rosen said of Wednesday's verdict.

Mike Lawrence, president of Sea Pines Co., declined to comment on the verdict, saying securities laws prohibited him from doing so until Sea Pines shareholders were notified, an event which he said would occur today.

Sea Pines, Lawrence said, will make a special filing with the Securities and Exchange Commission today that is required anytime a company experiences a "significant event" between quarterly filings.

When asked whether Sea Pines will appeal the verdict, he said, "An appeal is something that is available to everybody in civil matters."

In the lawsuit, DiVenere claimed his development firm, Grey Point Associates, had prepared plans, obtained permits and started lining up financing for the TidePointe project before Sea Pines decided to use other financial backers.

In a counterclaim filed in 1996, Sea Pines said DiVenere's firm owed Sea Pines \$2 million for breach of contract because it had exceeded the time limits set out in its contract and thereby increased Sea Pines' costs.

DiVenere, in a 1997 interview, said he brought Florida resident Pete Pomranz, a former executive in the senior-living services division of Marriott Corp., in on the project to help with feasibility and market studies that he said were used to build TidePointe.

In the lawsuit, DiVenere said his firm, Grey Point Associates, signed a deal with Sea Pines to own a third of the majority share of the limited partnership that would own TidePointe.

Sea Pines went on to finance the project with two subsidiaries of Cleveland-based P.I.E., which was later taken over by Ohio regulators after they found it \$275 million in debt.

TidePointe's majority ownership switched hands in 1998 when Classic Residence by Hyatt paid \$23.7 million for the south-island retirement community. As a part of the deal, Sea Pines retained a 17.5 percent minority ownership stake.

Sea Pines no longer has an equity interest in the development, but the company signed a long-term \$4.1 million deal with Hyatt that allows the company to use the Sea Pines logo and trade name, as well as its real estate brokerage services, and allows TidePointe residents to use Sea Pines amenities.

For fiscal year 1997, Sea Pines Associates wrote off its \$2.7 million investment in TidePointe, which resulted in the company reporting a net loss of \$66,000 for the year.

DiVenere, who moved from Hilton Head to Florida five years ago, said Thursday that he also was seeking an additional \$830,000 in lost interest income on the money he said was owed him.

Commenting on Wednesday's \$7.8 million award, DiVenere said, "I was pleased to see the jury recognized values inherent in a contractual relationship."

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