

Lightning sale on ice

Investors' infighting kills the \$200M deal, spawns a \$50M lawsuit.

By JAMES THORNER and DAMIAN CRISTODERO, Times Staff Writers
Published November 27, 2007

Three months after it was announced with fanfare at the St. Pete Times Forum, a \$200-million deal to sell the Tampa Bay Lightning has fallen through.

On Nov. 14, team owner Palace Sports & Entertainment terminated a purchase agreement with Absolute Hockey Enterprises. A rift among the buyers left them unable to make a \$5-million payment due Palace Sports by Nov. 12.

"We concluded that it does not appear that purchasers will consummate the transaction in accordance with the terms and conditions of the agreement," Palace chief financial officer John O'Reilly said in a letter two weeks ago. "Therefore we must exercise our right to terminate the agreement to protect the Lightning franchise."

Details of the fallout, as first reported Monday afternoon by tampabay.com, emerged when companies and partnerships owned by Absolute Hockey investors Jeff Sherrin and Doug MacLean sued Hollywood horror movie producer Oren Koules. Other known investors were Mark Burg, Koules' business partner, and Tampa lawyer Steve Burton.

Sherrin, a Coral Springs real estate developer, and former NHL executive MacLean allege that Koules not only defaulted on a \$4.17-million payment (part of the \$5-million due on Nov. 12) but that he also went behind their backs to make his own arrangements with the Lightning.

They are seeking at least \$50-million in damages from Koules, whom they blame for the deal's collapse. But the termination letter from the Lightning suggests the financial problems ran deeper than Koules' \$4.17-million. O'Reilly acknowledged that Palace Sports was to have provided \$30-million worth of seller financing.

Tom Scarritt, attorney for Sherrin and MacLean, said his clients went to court reluctantly after Koules stopped cooperating with his partners. The lawsuit hints that Koules breached the original agreement by negotiating directly with the Lightning.

"Just a couple months ago everything seemed to be going along smoothly," Scarritt said. "Koules decided he wanted a much higher percent of the profits and ownership, and he was willing to shoulder a greater financial burden. So the partners decided to rewrite the contract to allow that to happen.

"He made a partial payment of \$5-million, but within the last two or three weeks, all of a sudden we get totally different behavior out of him."

After being approached by Sherrin last summer, the team quickly embraced the idea of a sale. CEO Tom Wilson says Palace Sports has lost at least \$76-million during eight years of ownership that included a 2004 Stanley Cup

championship.

After MacLean (who declined to comment Monday), Sherrin and Koules were introduced at a joint news conference with Absolute Hockey and Palace Sports at the St. Pete Times Forum in Tampa, the trio of prospective owners promised speedy ratification of the deal from National Hockey League owners. Included in the purchase was 5.5 acres near the Forum, land that Sherrin, based on his background, could have developed.

The team hopes to resurrect some sort of sales agreement that likely would include Koules, a former minor league hockey player who made his fortune producing the Saw horror movie franchise. Koules, who was responsible for providing \$50-million cash of the \$60-million the group had accumulated, could not be reached for comment.

"While there is no current agreement in place to sell the team, PS&E is hopeful that those differences can still be resolved and a successful ownership transfer can take place," Palace Sports said in a statement Monday evening. "As it has since purchasing the team in 1999, PS&E will remain 100 percent committed to the best interests of Lightning, its fans and the entire Tampa Bay community."

Times staff writer Jonathan Milton contributed to this report.

Time line

Aug. 7, 2007: Absolute Hockey Enterprises, with former NHL executive and coach Doug MacLean, developer Jeff Sherrin and movie producer Oren Koules as principal partners, announce a deal to buy the Tampa Bay Lightning, the St. Pete Times Forum lease and 5 1/2 acres of adjacent land. The deal is believed to be worth about \$200-million. Sherrin said six or seven other investors would be announced later.

Aug. 28: MacLean says "we're making progress," but says the deal won't be done in time for the NHL Board of Governors to vote on at their meeting Sept. 18.

Sept. 8: Absolute announces that Koules' business partner, Mark Burg, is joining the group.

Sept. 18: NHL commissioner Gary Bettman says he believes the sale is on track. He also said if the ownership transfer is approved, it will likely be done by the late November governors' meeting or perhaps before if "due diligence" is completed.

Sept. 19: MacLean says he would be "shocked" if his group did not close by December. As to other investors, he says, "When the final applications go in, then the names will be out."

Sept. 22: Absolute announces the addition of Tampa lawyer Steve Burton as a partner. MacLean says his group has the capital to close.

Oct. 4: Koules says Burg has doubled his stake. Burg later confirms this. Koules adds he hopes the sale will be finalized by the Board of Governors meeting in late November. "Everything is moving great," Koules says. "We're on the same page as Palace on, I think, all issues and with the NHL." Lightning CEO Tom Wilson agrees: "We're very close to getting things agreed. ... We're feeling about as good as we have since we started." MacLean says the final part of the application will be submitted within a week.

Oct. 11: Palace Sports agrees to give Absolute more time to find financing.

Oct. 13: MacLean says the transaction is in "real good shape" and says there is at least one more minority investor who remains in the background.

Oct. 18: Bettman says the league has yet to begin due diligence into the proposed sale. MacLean responds by saying, "They're well on their way on due diligence. We are on schedule."

Oct. 31: Lightning president Ron Campbell says Bettman told him the sale appears ahead of schedule. Campbell anticipates the deal will be completed by Dec. 31.

Nov. 13: According to a lawsuit, Koules does not come through with a required \$4.16-million payment.

Nov. 14: Palace Sports terminates the purchase agreement, saying Monday that it was "because of the failure of Absolute to comply with the terms of the purchase."

Monday: Partners sue Koules for more than \$50-million.

© 2007 • All Rights Reserved • St. Petersburg Times
490 First Avenue South • St. Petersburg, FL 33701 • 727-893-8111
[Contact the Times](#) | [Privacy Policy](#) | [Standard of Accuracy](#) | [Terms, Conditions & Copyright](#)