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Sheraton To Appeal \$44M Award In Hotel Contract Fight

By **Jake Simpson**

Law360, New York (November 23, 2011, 6:49 PM ET) -- Sheraton Operating Corp. plans to appeal a New York state court's ruling hitting the hotel operator with \$44 million in damages and interest in a protracted contract dispute with a Florida hotel owner, Sheraton announced Wednesday.

A judge ruled Nov. 21 in favor of Fort Lauderdale, Fla.-based Castillo Grand LLC after the parties had filed competing breach of contract claims in federal and state courts.

Castillo Grand initially filed suit against the Starwood Hotels & Resorts Worldwide Inc. affiliate in 2009 in New York federal court. The company claimed that Sheraton breached a construction and management contract for the development and operation of the St. Regis Hotel and Residences in Fort Lauderdale.

Pryor Cashman LLP partner Todd E. Soloway, an attorney for Castillo Grand, said he was confident an appeal would result in an affirmation of the \$32 million in damages and \$12 million in interest awarded to the hotel owner last week.

Soloway also said he expects the court to award attorneys' fees of between \$10 million and \$15 million to Castillo Grand.

"The lawyers for [Sheraton] called us up and congratulated us [after Monday's ruling]," he said.

Castillo Grand claimed that Sheraton broke several provisions of the management contract relating to the construction and interior design of the hotel, and then wrongfully terminated the contract in May 2008. The defendants' actions caused the hotel to open in May 2007, more than two years behind schedule, Castillo Grand said.

In August 2009, five weeks before the matter was scheduled to go to trial, Sheraton moved to dismiss the complaint for lack of subject matter jurisdiction, arguing that two indirect co-owners of Castillo Grand — Barbara Santangelo and Rochester Jacksonville Inc. — were New York residents and therefore complete diversity was lacking. Sheraton simultaneously filed a breach of contract complaint against the hotel owner in New York state court.

A federal judge dismissed Castillo Grand's complaint in December 2009. The hotel owner initially appealed the ruling but withdrew the appeal in April 2010 and filed counterclaims against Sheraton in the state court action.

In addition to the \$43 million award for Castillo Grand, Sheraton was handed \$555,000 in

damages plus an undisclosed amount of interest for its contract claims.

The parties are still battling over attorneys' fees in the federal case. The court granted Sheraton's just costs motion for attorneys' fees in December 2010, and Castillo Grand appealed to the Second Circuit. That appeal is pending.

Sheraton said Wednesday that Castillo Grand had sought \$104 million in damages and added that it was disappointed by the court's decision.

"We intend to vigorously pursue an appeal seeking a reversal of the decision," the company said.

Castillo Grand is represented by Todd E. Soloway, Joshua D. Bernstein and Lisa M. Buckley of Pryor Cashman LLP.

Sheraton is represented by Bickel & Brewer.

The case is Castillo Grand LLC v. Sheraton Operating Corp., case number 1:09-cv-07197, in the U.S. District Court for the Southern District of New York.

Case information for the state court matter was not immediately available.

--Additional reporting by Abigail Rubenstein. Editing by Andrew Park.
