The Pyramid Companies Bankruptcy Cases

John Tigrett and other prominent Memphis businessmen formed a Sports Authority Commission which submitted a proposal to the mayors of Memphis and Shelby County to build a pyramid-shaped sports arena in September 1986.

A Public Building Authority was formed to construct the facility with funds from the City, County, and State of Tennessee.

The PBA agreed to lease certain portions of the Pyramid to Hard Rock Café International (Memphis) for the development of an observation deck, museum, and restaurant. Hard Rock Memphis's parent company was purchased by an English company which had no interest in the Memphis project. Hard Rock Memphis purchased a franchise agreement from the parent and assigned to lease to Pyramid Operating Authority, Inc., a company wholly owned by Sidney Schlenker.

The contractor was given notice to proceed with construction in September 1988. The City and County solicited proposals for management of the Pyramid and selected Pyramid Management Authority, another entity run by Sidney Schlenker. PMA agreed to pay the City and County an annual fee in return for independent control over the operation of the Pyramid. A major portion of the management agreement was the creation of a reserve fund in the amount of $3,000,000 to protect the City and County in the event that PMA failed to perform. Union Planters National Bank agreed to act as escrow agent.

PMA also entered into an agreement with Memphis State University, which gave PMA management authority over MSU's interests including eleven skyboxes.

In 1991, City and County officials became concerned that PMA would not be able to open the Pyramid in time for the opening of the MSU basketball season.

Despite numerous promises, the Pyramid Companies were never able to obtain a construction loan commitment. Construction funds came from Schlenker, Tigrett, and others. Problems also developed with the escrow agreement. PMA requested and obtained permission to reduce the stock held in escrow by Union Planters in order to obtain additional working capital. Union Planters released the stock but it was delivered to John Tigrett. The Pyramid Companies never received the benefit of these shares.

The City and County drew up a list of asserted defaults by the Pyramid Companies in February. They met with Pyramid officials in April, but were not satisfied with their inability to obtain construction financing or to meet their own schedules for timely completion of the project.

On April 16, 1991, the City and County issued two notices of default to PMA related to its alleged failure to perform under the management agreement and escrow agreement. The notices reminded PMA of the 30-day cure period provided in the management agreement.

PMA and the City and County met numerous times to discuss the alleged defaults. PMA assured the City and County that financing was eminent, and the 30-day deadline was extended several times, but PMA was not able to cure the defaults specified in the notices. On June 17, 1991, the City and County notified PMA that the management agreement was terminated. When MSU received its copy of the notice, it in turn gave notice that its agreement was terminated.

The City and County proceeded with completion of the Pyramid. It engaged Leisure Management, Inc. to assume management of the project.

On July 23, 1991, The Great American Pyramid Joint Venture, Island Management Authority, Inc., H.R.C. (Memphis), Inc. aka Hard Rock Café International (Memphis), Inc., Pyramid Sponsorship Joint Venture, Pyramid Operating Authority, Inc. aka Pyramid Arena Design Authority, Inc., and Pyramid Management Authority, Inc. filed voluntary petitions under Chapter 11 of the Bankruptcy Code.