

Leonard Green Said to Seek MGM Resorts' Stake in Borgata Casino - BusinessWeek

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By Beth Jinks and Jonathan Keehner

Oct. 20 (Bloomberg) -- Leonard Green & Partners, a buyout firm that manages about \$9 billion, offered to acquire MGM

Resorts International's stake in Atlantic City's Borgata Hotel Casino & Spa, people with knowledge of the bid said.

Without naming the suitor, MGM said last week it received an offer for its 50 percent stake that will generate proceeds of about \$250 million. The people declined to be identified because the deliberations aren't public.

With Borgata, Leonard Green would gain a stake in the most profitable Atlantic City resort, at a time when the state is seeking ways to help operators reverse a market-wide gambling revenue decline now in its fourth year. Governor Chris Christie in July proposed taking control of policing, land use and development on the Boardwalk and nearby areas as competition from neighboring states grows.

Boyd Gaming Corp., operator and half-owner of Borgata, has the right to match Leonard Green's bid and said in an Oct. 18 filing that it's evaluating its options. Boyd spokesmen didn't immediately respond to an e-mail request for comment.

Michael Gennaro, a spokesman for Leonard Green, declined to comment. Gordon Absher, a spokesman for Las Vegas-based MGM Resorts, also declined to comment.

The buyout firm, founded in 1989, has holdings in fitness club operator Equinox, and retailers Whole Foods Market Inc. and Sports Authority, according to its website. Leonard Green doesn't list any gambling investments at the site.

Casino overbuilding and debt taken on before the 2008 financial crisis have created opportunities for private-equity investors such as Leonard Green, whose founder died in 2002.

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M Resort

The firm bid unsuccessfully for the M Resort Spa Casino south of the Las Vegas Strip with the founding Marnell family, who spent about \$1 billion building the property, people with knowledge of the sale said earlier this month. Penn National Gaming Inc. won the auction, agreeing to pay \$230.5 million for about \$860 million in M Resort debt.

Authentic Brands Group LLC, one of Leonard Green's holdings, agreed last month to buy TapouT and other clothing brands associated with the mixed-martial arts network Ultimate Fighting Championship. Las Vegas-based UFC is majority owned by Lorenzo and Frank Fertitta, members of the family that founded Station Casinos Inc.

MGM, the biggest casino operator on the Las Vegas Strip, is leaving Atlantic City rather than drop its ties to Pansy Ho and their joint venture in Macau, China, the world's largest casino market. MGM pledged to sell its Borgata stake in March after the New Jersey Division of Gaming Enforcement found Ho to be an unsuitable partner.

Most Profitable

MGM said the offer for Borgata valued the New Jersey property's total equity and debt at \$1.35 billion. MGM and Ho plan to sell shares in their Macau casino venture.

Borgata had the highest gross operating profit of Atlantic City's 11 casino resorts in the first half of this year and in 2009, according to the New Jersey Casino Control Commission.

Boyd and MGM refinanced the resort in August, in part to pay themselves a dividend. Borgata includes the \$400 million Water Club hotel tower, opened in June 2008.

MGM agreed separately in July to sell the land underneath Borgata to Vornado Realty Trust and Geysler Holdings. The deal is scheduled to close in the fourth quarter and will deliver MGM

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net proceeds of about \$71 million.

MGM fell 39 cents to \$10.78 yesterday in New York Stock Exchange composite trading. The shares have gained 18 percent this year. Boyd retreated 20 cents to \$7.61 and has lost 9.1 percent this year.

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