

# Icahn Sells Four Casinos to Goldman for USD 1.3 Billion

April 23 (Bloomberg) – Carl Icahn agreed to sell the Stratosphere, three other Nevada casinos and 17 acres on the Las Vegas Strip to Goldman Sachs Group Inc.'s real estate funds for USD 1.3 billion.

Goldman's Whitehall Street Real Estate Funds will buy the Arizona Charlie's Decatur and Boulder casinos off the Strip and the Aquarius Casino Resort in Laughlin, Nevada. Icahn's American Real Estate Partners LP will see a gain of USD 1 billion from the sale of the properties he began buying just eight years ago, the Mount Kisco, New York-based company said today in a statement.

Icahn is selling after a year in which the Strip had record revenue of USD 6.69 billion, an increase of 11 percent from 2005, and as casino operators like Wynn Resorts Ltd., MGM Mirage and Boyd Gaming Corp. are spending a combined USD 12.7 billion to build new gambling resorts on the Strip.

„Your big next wave of development is occurring at the northern end of the Strip, which will only help and benefit the Stratosphere in the future,“ said Michael Parks, senior associate in the global gaming group in Las Vegas for broker CB Richard Ellis Group Inc. „We are still seeing an increased demand for properties in Las Vegas.“

Shares of American Real Estate rose 20 cents to USD 107.95 at 4:04 p.m. in New York Stock Exchange composite trading. The stock has more than doubled this year.

Projects opening in the coming years on the Strip include Wynn Resorts Ltd.'s USD 1.7 billion Encore in 2008, MGM Mirage's USD 7 billion Project City Center in 2009 and Boyd Gaming Corp.'s USD 4 billion Echelon Place in 2010.

## **Strip Moves North**

This year, the Las Vegas Sands Corp. will open the USD 1.8 billion Palazzo casino, a companion to its Venetian Resort Hotel casino.

„Goldman is making a decent long-term investment in where the Strip is heading,“ said Robert LaFleur, a gaming analyst at Susquehanna Financial Group in Stamford, Connecticut. „The Stratosphere and the land could be more valuable imploded and built up with something else.“

Stock of Las Vegas-based MGM Mirage, which owns casinos in Nevada, Mississippi and Michigan, has jumped 62 percent in the last year. Shares of Las Vegas-based slot machine manufacturer Bally Technologies Inc. have increased 40 percent in the last year.

Icahn's American Real Estate, a holding company with a market value of USD 6.7 billion, began investing in the casino business in 1998 with the purchase of the Stratosphere. It bought the other Las Vegas casinos in 2004 and the Laughlin property in 2006.

## **,Undervalued' Assets**

The Stratosphere mainly attracts visitors to Las Vegas, while the other casinos in the city cater to Las Vegas residents, the company said. The four casinos have 4,912 hotel rooms, 4,887 slot machines, 122 table games and 236,000-square-feet of casino space. The 17 acres of land being purchased by Whitehall surrounds the Stratosphere, American Real Estate said.

„Our gaming investments are a successful example of our strategy of acquiring undervalued and out-of-favor assets, and improving operations and enhancing value,“ Icahn said in the statement.

Whitehall has made USD 16 billion of real estate investments in 27 countries, according to the statement. Goldman is the largest investor in Whitehall real estate funds. In May 2006, Whitehall bought 130 U.S. hotels with brand names including Marriott and Hilton for USD 1.2 billion. It has also invested in Germany by buying a controlling stake in Deutsche Real Estate AG in September 2006.

## **Advisers**

New York-based Bear, Stearns & Co. and Denver-based Brownstein Hyatt Farber Schreck advised American Real Estate. Goldman and Sullivan & Cromwell LLP, based in New York, advised Whitehall.

The transaction requires approval of the Nevada Gaming Commission and the Nevada State Gaming Control Board. The companies expect to close the transaction in about eight months, they said.

There have been 26 U.S. casino acquisitions totaling about USD 26 billion announced since the start of last year, including the proposed purchase of Harrah's Entertainment Inc. by Apollo Management LP and TPG Inc. for USD 17 billion.

Icahn built his reputation in the 1980s as a corporate raider, targeting big companies including Phillips Petroleum Co., Texaco Inc. and Trans World Airlines Inc.

As a shareholder activist, Icahn has tried to break up Time Warner Inc. and started a proxy fight at Motorola Inc., demanding the mobile-phone maker return more cash to investors. In March, he offered USD 956 million for homebuilder WCI Communities Inc. and said he wanted to oust the board.