

Rift Erupts Over Solaire Casino in Manila

Written by Administrator

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A Philippine casino operator backed by local billionaire Enrique "Ricky" Razon Jr. has terminated its management contract with a high-profile group of former [Las Vegas Sands Corp.](#)

executives, triggering a legal dispute and leaving open a top position at a company hoping to put the country's casinos on the map.

[Bloomberry Resorts Corp.](#), which owns the \$1.2 billion Solaire casino-resort overlooking Manila Bay, said Thursday in a letter to the [Philippine Stock Exchange](#)

that it has ended its services pact with Global Gaming Asset Management LLC, alleging the firm had breached its contract by not spending "any material time in attending to the management of Solaire" and failing to meet its obligations.

GGAM, whose chief executive is former Las Vegas Sands President Bill Weidner, said Friday that Bloomberry's claims had "no factual or legal validity" and that the company is taking the issue to an arbitration court in Singapore. Bloomberry confirmed it had received notice on the matter.

"They turned out to be a very expensive, glorified executive-search firm," Mr. Razon said in an interview Friday, accusing the Las Vegas firm of "riding on their laurels." He added: "For example, Bill Weidner attended the opening, but he never came back."

GGAM said in a statement that its team had consistently exceeded the terms of its agreement with Bloomberry. "GGAM senior management was actively engaged on the ground in the Philippines on behalf of Solaire and, in addition, worked around the globe and around the clock, both electronically and in person, to recruit the team, attract the customers, and help raise the capital essential to Solaire's launch," it said.

Solaire, which opened in March, is a critical aspect of the Philippines' bid to become Asia's third gambling hub after Macau and Singapore as the region enjoys explosive growth. It is the first casino effort from Mr. Razon, an international ports mogul.

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The project was also a key venture for Las Vegas-based GGAM as it builds its international profile. The group has been hired to manage the gambling operations of Baha Mar Ltd., a \$3.5 billion resort being built in the Bahamas, and is also in talks to launch casino operations in places like Taiwan and Russia.

Solaire Chief Operating Officer Michael French, GGAM's official representative on the casino's management team, will be replaced as a result of the contract dispute, the Bloomberg statement said, adding that "many members of the existing management team are very capable and will continue to manage Solaire effectively without GGAM and its representative."

The dispute was solely a matter of money, said people familiar with GGAM's thinking.

Under the management agreement, GGAM received part of Solaire's earnings before interest, taxes, depreciation and amortization—a measure of profitability commonly used in the casino industry. Its cut was between 6% and 40% of Ebitda generated by foreign VIP gamblers and between 2% and 6% of remaining Ebitda.

Solaire generated 4.4 billion pesos (\$100.4 million) in gambling revenue from its March 16 opening through June 30, according to Bloomberg's second-quarter earnings report. For the three months ended June 30, Bloomberg reported 22.7 million pesos in net income, compared with a 1.1 billion peso loss in the first quarter.

GGAM said its "world class reputation and its many decades of collective experience contributed substantially to Solaire's excellent second-quarter financial results."

Mr. Razon said he had to personally step in to manage the resort shortly after the opening when he saw that the property wasn't doing well. "It's not a 'build it and they will come' situation," he said.

GGAM also owns 8.7% of the Philippine casino operator, or around 921.2 million shares worth \$254.8 million based on Friday's closing price. Bloomberg's shares fell 1.8% to 12.08 pesos Friday compared with a 1% fall in the benchmark Philippine stock exchange index following the

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news of the management shake-up.

"That's theirs. They can do whatever they want" with the stake, Mr. Razon said. "For the right price I might buy it."

The Solaire opening, which Philippines President Benigno S. Aquino III attended, was the first of several new massive resorts planned for a palm-tree-lined strip in the Southeast Asian nation's capital. Next year a resort planned by Macau casino operator Melco Crown Entertainment Ltd. and the Philippines' richest man, property developer Henry Sy, is scheduled to open down the road. A venture between Malaysian casino giant Genting Bhd. and another local billionaire, Andrew Tan, is also planned. Japanese gambling mogul Kazuo Okada is building the fourth resort.

While gambling has long been legal in the Philippines, most of the country's casinos are run by the government regulator and have none of the glamour that attracts foreign gamblers. The new properties are aiming to attract both the wealthy Chinese high-rollers who dominate Macau's \$38 billion gambling market and local residents who are benefiting from the country's strong economic growth.

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