

# With AEG for Sale, Questions Swirl

*Putting L.A. Live Owner on the Block Raises Concerns About Football and the Future of Downtown*

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There may only be two people in the world who truly know what's behind Philip Anschutz's recently revealed decision to put his Anschutz Entertainment Group up for sale. While the Denver-based billionaire and AEG President and CEO Tim Leiweke are, clearly, privy to the reasoning, everyone else has questions.

First off: How is the proposed sale, which the Wall Street Journal reported on Tuesday, 10 days before the City Council is scheduled to cast a key vote on AEG's Downtown football dreams, linked to the firm's strategy to lure an NFL team to Los Angeles?

Is Anschutz, who has historically shied away from the prospect of owning an NFL franchise, simply fed up with the football idea?

Considering that AEG is a massive international corporation, is it possible that the proposed sale has nothing to



do with its Downtown holdings at all?

Even if that's the case, what impact would a transaction have on Downtown Los Angeles, where in addition to the proposed football project AEG developed Staples Center, L.A. Live, the Convention Center hotel, and owns several undeveloped properties in the area?

In the wake of the company's confirmation of the reports, which generated a

wave of media stories and speculation, city officials have been quick to dismiss any notion that a potential sale would torpedo the \$1.4 billion plan to build Farmers Field and expand the Convention Center. Terms of the proposed contract between the city and AEG, which involves the company using future stadium revenue to cover the city's costs of floating bonds to pay for construction, would not change

if the firm is sold, said Ninth District Councilwoman Jan Perry.

“If necessary, we can do an amendment to the agreement to make sure it’s crystal clear that the city’s commitment to float the bonds is contingent on the owner getting a team, and that financing is completely private,” Perry said.

Perry said she does not know what sparked the decision to pursue a sale, but speculated that it could be tied to the pursuit of an NFL team. The region has lacked professional football since the Raiders and the Rams both left following the 1994 season.

“It could be that they were a bit in the doldrums in terms of them getting a team, because we have not had any announcement that they’ve gotten a team,” Perry said. “This might mean new momentum, fresh capital and new energy.”

Denver-based Anschutz rarely makes public appearances and has not done a media interview in decades. Instead, Leiweke is AEG’s driving force, and is widely considered the architect of the football and events center proposal. Leiweke’s contract was recently extended, a move that some local players, including Perry, see as a sign that the company’s Downtown vision is unlikely to waver.

With his contract, a new owner would have to buy out Leiweke. But those types of actions are common.

“Typically, when there’s an ownership change, there’s a management change, especially on a deal of this size,” said Lloyd Greif, president

and CEO at the Downtown-based mergers and acquisitions specialist Greif & Co., who added that the sale effort could restrict AEG’s flexibility in its ongoing NFL negotiations.

“Usually, when a company is for sale, they don’t make any major steps,” he said. “A paralysis sets in until the smoke clears. Time is not on AEG’s side in that regard.”

Then again, it’s unlikely that the proposed sale comes as a surprise to the NFL, said David Carter, executive director of the Sports Business Institute at USC. AEG has been angling to have all of its stadium approvals in place by March, when NFL owners converge for an annual meeting to discuss league issues, including potential team moves.

The City Council is expected to vote on Sept. 28 on approving the 10,000-page Farmers Field environmental impact report. That would trigger a timeline for appeals that would allow the company to come to the meetings with all municipal matters checked off.

“There’s no doubt that Tim Leiweke and Phil Anschutz have already been in constant contact with Roger Goodell, the NFL and the mayor’s office so that they were not surprised by this,” Carter said. “Those people know exactly what the strategy is, so they’re not speculating the way so many of us are about the connection between a full or partial sale of AEG and the pursuit of an NFL franchise.”

#### **Dodger Bounce**

AEG has hired the Blackstone Group to assist in the

proposed sale. The firm oversaw the recent auction that led to Guggenheim Baseball Management’s \$2 billion purchase of the Dodgers and the team’s related assets.

It is difficult to quantify the value of AEG, a private company that owns the Los Angeles Kings, the Los Angeles Galaxy, has a stake in the Lakers, and controls Staples Center, L.A. Live, the O2 Arena in London and an empire of other real estate holdings. It also owns AEG Live, the second largest concert and events promoter in the country, after Live Nation.

The recent Dodger sale may have increased the market value of a portfolio anchored by sports and entertainment concerns.

The pool of qualified buyers will include only billionaires. Locally, some have speculated that bidders might include Ron Burkle, David Geffen or Patrick Shoon-Shiong; the latter was part of a group that tried but failed to purchase the Dodgers.

It may be too soon to divine exactly why Anschutz, who is known to keep his strategies close to the vest, is selling now. Plus, there is no guarantee that he will actually go through with such a deal, or that if one does, the entire company will be sold in one piece.

“I think everybody is kind of overthinking it,” Carter said. “We’re sitting here in L.A. being a little ridiculous on it because we’re not focusing on the fact that they have huge and powerful international presence. L.A. is just a piece of the overall puzzle.”