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Penguins co-owner Burkle stands to make big profit in selling team

By Tom Fontaine
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Penguins co-owner Ron Burkle's net worth plunged by almost $1 billion since he helped orchestrate a deal that gave the hockey franchise a new arena and exclusive rights to develop land where the old arena stood.

"I wouldn't lose any sleep over Ron's financial situation. He's in good shape," said Lloyd Greif, a Los Angeles investment banker who has known Burkle for decades.

Burkle, a former grocery magnate whose private equity firm claims it manages $11 billion, and Penguins majority co-owner Mario Lemieux are exploring sales opportunities for a franchise that Vanderbilt University sports economist John Vrooman predicts could sell for $800 million.

"Ron knows when to hold 'em and when to fold 'em," Greif said.

Burkle, 62, recently sold or shopped other high-profile properties. He pocketed $67 million for his stake in Manhattan's members-only club Soho House, the New York Post reported; he listed his Broadway penthouse for $37 million, according to Forbes; and A&P, a supermarket chain partly owned by Burkle's Yucaipa Cos., is looking to sell nearly half of its 301 stores, the Post reported.

Forbes pins Burkle's wealth at $2.6 billion, down from its valuation of $3.5 billion in 2007.

Neither Burkle nor his spokesman returned messages seeking comment.

Penguins owners Mario Lemieux and Ron Burkle ride past fans along the Boulevard of the Allies in Downtown Pittsburgh on June 15, 2009, during the team's victory parade.

It has been widely reported that Burkle invested $20 million in the Penguins when he and Lemieux, along with dozens of minority owners, bought the franchise out of bankruptcy in 1999 for $107 million. Owners flirted with selling the team in 2006, but a $175 million offer fell through. They secured the arena deal in the next year — with the threat of the team's possible move to Kansas City hanging over the negotiations.

The team's value has nearly doubled to $565 million during the past two years, according to Forbes.

"He's extremely competitive. He's competitive in business. He's competitive in sports. I think you have to be competitive to be an owner," said former Gov. Ed Rendell, who negotiated the deal that provides $7.5 million a year in state funding and $7.5 million annually from Rivers Casino to help finance Consol Energy Center's $321 million construction.

Burkle's attorneys dismissed speculation that dissension between Burkle and Lemieux spurred them to explore a sale.

"Burkle and Lemieux actually issued a joint statement about the Penguins. This demonstrates that they are indeed 'on the same page,' " Los Angeles-based attorney Martin D. Singer told the Tribune-Review in an email.

Burkle does not have a track record of holding properties for long.

"Sixteen years is a long time, probably three times longer than the norm," Greif said of Burkle's Penguins ownership. "But sports franchises, along with entertainment and media properties, are trophy assets, and they are typically held for longer periods of time. They can have 'ego value' and perks and fringe benefits that come with them. They can be kind of an emotional investment."

Burkle has remained largely out of the public eye in Pittsburgh during his stint as co-owner.

Rendell said Burkle's Penguins investment "revolved around his love for Mario. He was extraordinarily close and supportive to Mario, and I think that was what generated his real passion for the Penguins and for this city."

Greif described Burkle as a savvy investor adept at buying underperforming or undervalued assets, turning them around and selling them for large profits. Burkle's California-based Yucaipa Cos. has completed deals that the firm valued at more than $30 billion since 1986.

AT FIRST, GROCERY CHAINS

Burkle's father was a grocery store manager in Southern California. The younger Burkle grew up stocking shelves and bagging groceries. When he dropped out of college, he married a grocery clerk and rose to become a store manager and then vice president of the Stater Bros. chain's parent company.

At 29, Burkle made a failed buyout bid for the company and was fired, Forbes reported. He poured his energies into flipping companies.

Early on, he focused on grocery chains, particularly ones in distressed or minority neighborhoods that chains avoided.

"People went around saying I was trying to be a do-gooder," Burkle told Forbes in 2006. "That's a nice benefit, but the real reason we invest in these areas is to make money."

Burkle branched out, investing in tech startups Airbnb and Foursquare with actor Ashton Kutcher; the film and television studio Relativity Media; Aquahydrate bottled water, co-owned by actor Mark Wahlberg and rap mogul and entrepreneur Sean "Diddy" Combs; and Combs' Sean John clothing line.

Numerous outlets, including the Los Angeles Times, The New York Times and The Associated Press, have reported Burkle explored or came up short in other ventures. Among them, a bid to buy Tribune Co., which includes the Los Angeles Times and Chicago Tribune; Philadelphia's Inquirer and Daily News newspapers, despite Rendell's endorsement; and the NBA's Sacramento Kings.

QUESTIONS ON CONNECTIONS

Burkle's friends include celebrities and powerful politicians. A father of three who lives primarily in London, Burkle went through a messy divorce. Business got in the way of friendships, including one with former President Bill Clinton.

Clinton became friends with Burkle while the former campaigned for president in 1992. Clinton often stayed at Burkle's Beverly Hills estate and flew on Burkle's private jet. Burkle, who helped raise tens of millions of dollars for Democrats, slept in the Lincoln Bedroom.

When leaving the White House, Clinton earned at least $15.4 million as a Yucaipa adviser, according to the Clintons' tax records. The Wall Street Journal reported Clinton began to distance himself from Yucaipa before wife Hillary entered the 2008 presidential race.

Political observers pointed to possible conflicts, including Yucaipa's ties to a Dubai sheik and a Chinese media company with ties to that country's government. Clinton walked away from a final payment estimated at up to $20 million, the newspaper reported.

Questions arose about Burkle's connections to several board members of the California Public Employees' Retirement System, which committed $950 million to five Yucaipa private equity investment funds between 2001 and 2008. Among the connections: politicians to whom Burkle donated money, a union ally and an attorney who performed legal work for Burkle.

The Pennsylvania State Employees' Retirement System committed $25 million to the Yucaipa American Alliance Fund II. To date, the fund has paid $11.3 million to SERS while charging about $2 million in fees, records show.

Greif dismissed the idea that any pullback by pension systems factored into Burkle's exploring a possible Penguins sale.

"When the siren call of profit reaches your ears, a guy like Ron Burkle is going to answer the call," Greif said. "People don't expect (the Penguins franchise) to garner a materially higher price than it would command today. The greater risk is holding onto it another year or two."

Said Jay W. Sukits, a University of Pittsburgh assistant business professor and former investment banker: "They just started developing the former Civic Arena site, so people look at it and say, 'Wow, what potential.' That adds value.

"But if you wait, the development could bomb or someone could build a white elephant on the site."