

## THE ORAL HISTORY OF PHIL RUFFIN\*

Sitting in his Treasure Island office on the Las Vegas Strip early on a hot September morning, Phil Ruffin is alert, staring at a whiteboard across the room. On the whiteboard is a diagram of the thirty-seven acres he acquired when he purchased Circus Circus in 2019, the last open lot on the Strip. He's analyzing this diagram when we arrive, the sounds of a golf tournament on the television soft in the background. Extremely gracious, he welcomes us in, ready to answer our questions about his remarkable career. Born to a Texan grocery store owner and now one of the most successful casino magnates in history, Mr. Ruffin is the embodiment of the American Dream fulfilled. But his properties on the Las Vegas Strip—Treasure Island, Circus Circus, and Trump International—are only part of his legacy. From pioneering self-service gas in Wichita to running the world's largest hand truck manufacturing company, Mr. Ruffin's business acumen transcends a particular industry. For those reading with an entrepreneurial spirit or a legal mind, the wisdom he shares with us below is priceless, informed by his rare talent for getting people to agree—and make a deal.

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*Was there a pivotal moment in your childhood when you realized that you wanted to be an entrepreneur?*

My father was in the grocery store business, and I always knew that I wanted to work for myself. He always emphasized that working for yourself was a good thing to do. During my career, the only job I ever held was with him—and you never want to work for your father. They pay nothing. Eventually, I went to work for W.T. Grant Company in Freeport, Texas in the '50s.<sup>1</sup> As it turned out, I didn't like working for anybody else, so my dad found a little grocery store in Wichita, Kansas that was called 11 to 11. I bought that—it was very cheap. That's really how I started in the convenience store business.

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\* *Our sincerest thanks to Mr. Ruffin for being so generous with his time, and to his team for making this interview possible.*

<sup>1</sup> The W.T. Grant Company, named after founder William Thomas Grant, operated general stores throughout the United States from 1906 until 1976.

Back then, people didn't even know what convenience stores were. They would come in, asking for meat and for this and that—and I didn't have anything. But fortunately, the city of Wichita passed a law that said if your business had more than 1,200 square feet, you had to close on Sunday. Well, I had 1,100 square feet, so I was open. And of course, we were the only store open in a population of 350,000 people. We had more business on Sunday than you would have in two weeks, normally.

And we made some money. Good money. That's where I got my start, and then I started putting more convenience stores in, and eventually I got a call from Tenneco Oil Company. They said, "Your convenience store in Blackwell, Oklahoma is doing great, can we put some self-service gasoline in there? Let the customers pump their own gas." I said, "Yeah, let's give it a shot." It was very successful. Then I wanted to put self-service gasoline in Wichita, Kansas, but was illegal at the time. We had to go to court, and we legalized self-service gasoline in Kansas in 1972.<sup>2</sup>

My lawsuit allowed us to start putting self-service gasoline at our convenience stores in Kansas. It was a very successful deal. We ended up putting in eighty-one stores over the years. And I always bought the ground—I never leased the ground. Then in 1994, Total Petroleum, based out of France, came to me. They had a refinery that needed some gasoline sales, and I was doing a lot of gasoline sales at the time. They wanted to lease the stores for twenty years.<sup>3</sup>

I took the deal. But that was a \$50 million lease, so what do you do next? Well, we heard that there was a hotel casino for sale in the Bahamas, Crystal Palace, owned by Carnival Cruise Lines. I took that \$50 million note from Total and borrowed \$20 million on it. And I put \$20 million down on the property, and Carnival Cruise Lines—I knew Micky Arison<sup>4</sup>—financed \$60 million of it. That's when we switched to the hotel casino business.

In 1987, I had built a hotel in Wichita called Wichita Marriott, so we were already in the hotel business. It was a very good little business, but we'd never had one that had a casino attached to it. You always want a casino attached to your hotel. The Crystal Palace ended up being extremely successful, so we bought the hotel next to it called the Nassau Beach Hotel. We had a good strip there, and we operated that for quite a while. We had no debt then.

Next we heard that the Frontier Hotel in Las Vegas was for put up for sale by Ms. Margaret Elardi.<sup>5</sup> She wanted \$160 million for it, and she wanted \$50

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<sup>2</sup> At the time, many major oil companies believed men in suits wouldn't want to pump their own gas. See Liz Benston, *An Empire Built on Assets, Not Debt*, LAS VEGAS SUN (Apr. 26, 2009), <https://lasvegassun.com/news/2009/apr/26/empire-built-assets-not-debt/>

<sup>3</sup> Total Petroleum agreed to pay Ruffin \$2.2 million per year. See *id.*

<sup>4</sup> Micky Arison is the Chairman of Carnival Corporation and owner of the NBA team Miami Heat.

<sup>5</sup> The Frontier was the second property to open on the Strip, operating continuously from 1942–2007. It was owned by Margaret Elardi and her two sons before Ruffin purchased it in 1998.

million down. Since the Crystal Palace was free and clear, I borrowed \$50 million on Crystal Palace and gave her \$50 million for the Frontier. She carried \$110 million for five years. Seller financing is always good, remember that. Make the seller carry it.

We operated the Frontier for quite a while, from 1997 till 2007. It was reasonably successful, but it was old, one of the oldest hotels around. It was successful, but just moderately successful. And it so happens, the longest strike in United States history was at that hotel, for six-and-a-half years.<sup>6</sup> Nobody could solve it, it was just going on and on. And so I said, “Before I buy the Frontier, I want to meet the president of the culinary union that is having the strike.”

He and I met, and we got along. We cut a deal in two hours, and we made it work. Of course, it cost a little money, but that was okay. We got the strikers off the street, and the Gaming Commission was so happy they licensed me right away. Everybody had tried to solve the strike, but they couldn't because they didn't all get together to hash it out.

We operated the Frontier for a while, and it was good. In the meantime, I did a lot of other things, shopping centers and various real estate all around. We had quite a bit of that. We were fortunate to buy some things in opportune times—around twenty years ago, the market got soft, and I was able to buy up some more hotels. We currently have twelve hotels, mostly Marriotts.

Eventually, a company out of Israel came in, the El-Ad Group.<sup>7</sup> They own The Plaza in New York, and they wanted to duplicate The Plaza here in Las Vegas. They paid me \$1.24 billion for my land. It was the highest price ever paid, ever.<sup>8</sup> It ended up being about \$34 million an acre. And then '08 hit and banks froze out. They couldn't get any financing to build what they wanted to do. But I had my money.

I had the option of retiring with that kind of cash. We invested in the stock market. We invested in bonds. It's hard to invest that kind of money, but we did. I was friends with Terry Lanni,<sup>9</sup> who used to be Chairman of MGM. He said he

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<sup>6</sup> When the contract between Culinary Local 226 and the Frontier expired in 1989, then-owner Margaret Elardi refused to renew it. The strike lasted six years, the longest strike in U.S. history, with approximately 235 of the original 550 strikers still participating at the time Ruffin purchased the Frontier. *See Six-year Strike Longest in U.S.*, LAS VEGAS SUN (Oct. 28, 1997), <https://lasvegassun.com/news/1997/oct/28/six-year-strike-longest-in-us/>.

<sup>7</sup> The El-Ad Group, owned by businessman Yitzhak Tshuva, owns many famous American landmarks, including the Plaza Hotel and the Grand Madison.

<sup>8</sup> *See* Howard Stutz, *More Than \$1.2 Billion: New Frontier Sets Sales Record*, LAS VEGAS REV.-J. (May 16, 2007), available at <https://www.casinocitytimes.com/howard-stutz/article/more-than-%241-2-billion-new-frontier-sale-sets-record-55540>.

<sup>9</sup> Terrance Lanni was the former Chairman of the Board and CEO of MGM Mirage. He passed away in 2011 at age 68. *See* Barry Meier, *J. Terrence Lanni*,

thought that MGM would sell Treasure Island. Of course, it was '08, and you couldn't go to the bank for financing. But I had the cash, so I bought Treasure Island in '08, and it's been extremely successful.

Then a casino became available in Miami. We couldn't finance it because it had some title problems, so it had to be cash. I bought that for \$240 million, cash, we had the money. With six million people in Miami, it's been a world-class property that makes a lot of money.

When MGM put Circus Circus on the market, they had a bidding process. And we bid \$825 million, which included the whole thing, all that land, one-hundred-and-two acres. We were a high bidder; we had a lot of cash flow at the time. Treasure Island was doing great, Miami was doing great, Circus Circus was doing great.

And then the pandemic hit in March 2020. We had to close down our hotels everywhere, so our income stopped and we started losing money like crazy. When you have big stuff, the losses are bigger. Treasure Island was losing \$3.5 million a month. Circus Circus was losing \$3.5 million a month. We ended up losing about \$60 million, counting the other stuff that we had.

Fortunately, we had cash, and we were able to withstand it easily. We also have a manufacturing company in Wichita. We're the largest manufacturer of two-wheel hand trucks in the country.<sup>10</sup> It's been extremely successful business that was not affected at all by the pandemic—in fact, our business got better. It was continuing cash flow all during this time, and that was very helpful, to get some money.

And that's where we are today. In the process, I accumulated a lot of real estate, including shopping centers. I think we have four million square feet of office space, which is not great right now. We also have a lot of retail deals. Ultimately, we started with nothing, and we ended up in pretty good shape, accumulating quite a bit of money and asset value.

*When you're looking at acquiring a new asset, do you look more at the land that it sits on, or the business currently occupying that land?*

It really depends. We love dirt. We have never bought anything where we didn't get the dirt along with it. Of course, a lot of these properties here are in what they call "OpCo/PropCo."<sup>11</sup> Sale lease backs. And that really has no interest

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*Ex-Chief of MGM Mirage, Dies at 68*, N.Y. TIMES (Jul. 16, 2011), <https://www.nytimes.com/2011/07/17/business/j-terrence-lanni-ex-chief-of-mgm-mirage-dies-at-68.html>.

<sup>10</sup> Ruffin owns Harper Trucks, the largest manufacturer of hand trucks in the world, producing one in every three hand trucks sold in the United States. *See Welcome to Harper Trucks*, HARPER TRUCKS, <http://harpertrucks.com/> (last visited Jan. 25, 2021).

<sup>11</sup> "OpCo/PropCo" is shorthand for "operating company/property company." This type of deal strategy involves dividing a company into two parts—a property

for me, because I've made money on my ground deals—those are what have got me where I am. The ground is where the value is. Just like this piece up here [gesturing to the whiteboard]. It's worth more than Circus Circus itself.

But Circus Circus is going to be a very good property—it has The Adventuredome, which has been very successful.<sup>12</sup> The Midway on the second floor is also extremely successful—it's an arcade like Dave and Buster's except better, with more things to do. When we look for property, we don't like negative cash flows, unless we see some niche there for it that we could turn around quickly.

*Could you share any exciting plans for the thirty-seven-acre parcel<sup>13</sup> acquired with Circus Circus?*

That's a very interesting question. It is the hottest piece of dirt around, and this is the Strip. In this corner, in '05, just twenty-five acres of the plot sold for \$477 million. You can imagine what this thing is worth during good times. We've had a lot of interest in it. We turned down a large offer to sell it, but I didn't want to sell it because the value is just going to increase. It's the last piece of dirt on the Strip, and in four or five years, it's going to be worth a lot of money. We've been approached by a lot of companies already. It looks like the second half of next year is when people are really interested.

*What do you think the Strip is going to look like as it recovers from the pandemic?*

Oh, it's going to be great. Right across the street, we've got a million-square-foot convention center about to open.<sup>14</sup> Probably mid-year or next year, maybe. But that's going to attract a lot of people in the northern area of the Strip, which we like. They're also making a deal with Elon Musk to build a tunnel from the

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company which owns real estate assets, and an operating company that then uses those assets to generate sales revenue.

<sup>12</sup> The Adventuredome is a five-acre indoor amusement park located inside Circus Circus, opened in 1993.

<sup>13</sup> Ruffin has hinted before that the thirty-seven acres, currently used as the Las Vegas Festival Grounds, may be the most lucrative part of his recent acquisition. See Howard Stutz, *Ruffin Outlines for Nevada Regulators His Plans for Circus Circus Las Vegas*, CDC GAMING REPORTS (Dec. 5, 2019), <https://www.cdcgamingreports.com/ruffin-outlines-for-nevada-regulators-his-plans-for-circus-circus-las-vegas/>.

<sup>14</sup> See Richard N. Velotta, *Convention Center West Hall 99% Completed with \$6.75M Overrun*, LAS VEGAS REV.-J. (Jan. 12, 2021), <https://www.reviewjournal.com/business/conventions/convention-center-west-hall-99-completed-with-6-75m-overrun-2250925/>.

convention to the airport.<sup>15</sup> Apparently that's done or almost done. The tunnel will peel off at each hotel. If you stay in one of these hotels, you will have access to the airport in a few minutes, or the convention area in a few minutes. It's a big plus. Then you've got the Raiders, you've got hockey, all that stuff is going to come roaring back. And if you can imagine, what the Raiders are going to do, they're going to fill up the stadium—that's a lot of guests.<sup>16</sup> Every year, they'll have eight or nine home games, which is going to be great for Las Vegas.

They've talked about a high-speed railroad going from LA to Las Vegas. We've tried to push that, but I don't know if the government has okayed it.<sup>17</sup> To be able to get from LA to Las Vegas in eighty minutes, that would be extremely good for us. That's part of the problem—it's about a five-hour drive going back from here to LA. Cars are backed up, and that has to be corrected somehow. We'd love to see an underground hyper tunnel. But Vegas is just one-of-a-kind, and the future looks sensational for it. And we would buy other properties, if they become available, in a heartbeat.

*Do you think any of the changes that have been made in the casinos—plexiglass, masks, etc.—how much of that do you think is going to stay with us?*

I think it all goes away next year, probably. The vaccine will help, and this will just be a temporary glitch. And so, from a business perspective, how do you take advantage then, if a lot of companies are hurting or going bankrupt? It might be a little early, but there might be some opportunities out there, and we're still sitting on enough cash to pick something up if we like it. We don't need financing.

*Does it set you apart from your competitors to be able to do deals in cash?*

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<sup>15</sup> The Las Vegas Convention and Visitors Authority plans to open up the tunnel underneath the convention center when the next large trade show occurs. See Sean O'Kane, *Boring Company Proposes Massive Vegas Expansion Following Monorail Bankruptcy*, THE VERGE (Dec. 15, 2020), <https://www.theverge.com/2020/12/15/22176596/elon-musk-boring-company-las-vegas-strip-tesla-tunnels>.

<sup>16</sup> The new Allegiant Stadium, home of the recently relocated Raiders, has the capacity to seat 70,000 guests. Dan Bernstein, *Inside Allegiant Stadium: Cost, Capacity & More to Know About Las Vegas Raiders' New Home*, SPORTING NEWS (Sept. 21, 2020), <https://www.sportingnews.com/us/nfl/news/allegiant-stadium-raiders-cost-capacity/>.

<sup>17</sup> Brightline West, the company responsible for the high-speed train, remains optimistic that construction will start in Spring 2021. See Larry Henry, *High Speed Victorville, California to Las Vegas Rail Line Targeted for Spring Construction Start*, CASINO.ORG (Jan. 15, 2021), <https://www.casino.org/news/high-speed-la-to-las-vegas-rail-line-targeted-for-spring-construction-start/>.

It helps. You can operate quickly, you can go fast. For instance, the deal for the casino in Miami—we did that in just a few days. I liked what I saw, but there were a lot of other people looking at it. Some bids from the others came in, and they were each around \$200 million. In fact, I offered \$210 million. They said no, they were going to put it out to the market. I said, “How much would you want if you don’t put it out to the market?” And we just cut a deal. They said, “Well, it’s making \$20 million a year, we’d take \$240 million.” I said, “Let’s sign it, let’s do it.” Of course, now, we’ve improved the business. The tax, however, is high at thirty-five percent. That will be lowered next year to twenty percent, and the cash flow will really improve there.

*Reflecting back on your amazing career, is there a particular highlight?*

The highlight was selling that dirt for a billion-three. And of course, we’re partners with Donald Trump, and Donald’s family in the Trump International Hotel.<sup>18</sup> That’s a very successful property—it has no debt, and in normal times, cash flows very nicely. I plan to continue working—because that’s what I do, I do deals. I have five children, and one day they’ll be operating this thing, I hope. I will encourage them not to sell the properties because of the construction costs. For instance, to recreate Treasure Island, it would cost \$3 billion. To build a new hotel on the Strip, it’s a million dollars a room, counting everything—a swimming pool, banquet space, restaurants. A million dollars per room—at least, that’s what it was in ‘08. It’s probably even higher now.

James Packer bought my old location from our Israeli associates, and he was going to put a hotel there, with only 1,000 rooms.<sup>19</sup> The price came to \$2.2 billion, so about \$2 million a room. It just didn’t pencil out for him or the banks. It’s very expensive to rebuild these things. Fortunately, Genting has money to build what they’re building now—Resorts World Las Vegas.<sup>20</sup> They have other assets, or the hotel simply would never be built. At \$4 billion, it’s just hard to get a return. The lesson is to hang on to your assets, especially when you know they

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<sup>18</sup> Ruffin has fifty-percent ownership of the Trump International Hotel Las Vegas. See Will Yakowicz, *Donald Trump’s Best Friend, Billionaire Casino Mogul Phil Ruffin, Sees a Hidden Jackpot in The Pandemic*, FORBES (Apr. 30, 2020), <https://www.forbes.com/sites/willyakowicz/2020/04/30/donald-trumps-best-friend-billionaire-casino-mogul-phil-ruffin-sees-a-hidden-jackpot-in-the-pandemic/?sh=75d389ce5bc7>.

<sup>19</sup> In 2014, Australian billionaire James Packer paid \$260 million for his interest in the parcel that once housed The Frontier. *Packer Buys into Las Vegas*, GGB NEWS (Aug. 10, 2014), <https://ggbnews.com/article/packer-buys-into-las-vegas/>.

<sup>20</sup> Malaysian company Genting Berhard purchased the former site of The Stardust in 2013 to develop Resorts World Las Vegas. Howard Stutz, *Genting Buys Echelon for \$2 Billion Resorts World Las Vegas*, LAS VEGAS REV.-J. (Mar. 4, 2013), <https://www.reviewjournal.com/business/casinos-gaming/genting-buys-echelon-for-2-billion-resorts-world-las-vegas/>. The property is anticipated to open this summer.

just can't be replaced. You wouldn't build Treasure Island again for \$3 billion because you're going to have to make \$350 million a year, and you can't do that, it's just too much. These hotels are irreplaceable.

And the dirt, it's just so valuable. It's like Fifth Avenue in New York—you never sell it. You could lease it, but you're never supposed to sell it. Had I not gotten such a large offer—I only paid \$165 million for the land, and got \$1.24 billion—well, you do that deal. For instance, following the recession of '08, Bank of America shares sold for three dollars.<sup>21</sup> Remember when the banks crashed? I could have bought 300 million shares with that money. What would it be worth today? It would be worth \$100 billion today. But I like to stay in business and do what I do—doing deals. And after a while, those things are just numbers on a piece of paper—meaningless.

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<sup>21</sup> On March 6, 2009, Bank of America shares fell to just under three dollars per share, the lowest price since 1990. *Bank of America Stock Price History*, MACROTRENDS, <https://www.macrotrends.net/stocks/charts/BAC/bank-of-america/stock-price-history> (last visited Jan. 20, 2021).