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Chief Bids to Buy Out Hotel Chain

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The chief executive and controlling shareholder of [Four Seasons Hotels](#), Isadore Sharp, made a \$3.7 billion buyout bid for the luxury hotel chain yesterday.

The offer by Mr. Sharp, 75, who bought his first hotel in 1961 and expanded it into a worldwide empire, is backed by Kingdom Hotels International, a holding company of Prince Walid bin Talal of Saudi Arabia, and Cascade Investment, the investment vehicle of [Bill Gates](#).

If successful in taking his company private, Mr. Sharp would reap a huge personal windfall. He would be paid \$288 million as part of a long-term incentive plan put in place in 1989, according to a statement from the company.

The offer comes amid a wave of management-led leveraged buyouts around the world that has led to scrutiny and criticism from public shareholders who have questioned how management can fulfill its fiduciary duty when it is representing its own interests.

That question arose yesterday when Mr. Sharp made it clear that he would not entertain any rival offers. In a statement, he said, "This transaction, with these investors, is the only one I am prepared to pursue."

Other recent management-led buyout offers have followed a similar script. The Dolan family, which controls [Cablevision](#), recently made a \$19.2 billion bid for the company and said it, too, would not consider rival offers.

In both cases, a special committee of independent directors has been created to review and approve the transaction.

Mr. Sharp's \$288 million payout was a result of a bet he made with the company 17 years ago. At that time, he agreed to forgo receiving options and restricted stock for what could amount to a supersize sales commission if the business ever changed hands. Shareholders approved the agreement at the time.

In 1989, Mr. Sharp gave back one million stock options that had an exercise price of \$6.30 as well as the right to future equity grants. In turn, Four Seasons agreed to give him a percentage of the stock's future appreciation, which now amounts to roughly \$6.84 a share on more than 41 million shares.

The bet appears to have paid off handsomely for Mr. Sharp: today those one million stock options would be worth about \$76 million — a little more than a quarter of the \$288 million he now stands to receive.

Mr. Sharp was paid \$1.93 million last year, according to an analysis by the executive compensation firm Equilar.

The arrangement raises some questions about why Mr. Sharp is selling now. In many buyouts, executives frequently get their equity cashed out but are forced from their jobs.

“He gets his money out, he gets to stay C.E.O., and he gets to invest in the thing going forward at what can be assumed to be a favorable price,” said Brian Foley, an independent compensation consultant.

“That doesn't necessarily mean it is bad,” he added. “It raises the question, Is this a good enough deal for shareholders? It raises the issues: Why now? Why in this way?”

Four Seasons did not return several phone calls seeking comment about the terms of Mr. Sharp's agreement.

While Four Seasons is publicly traded, its shareholders have relatively little influence. Triples Holdings, a private investment company controlled by Mr. Sharp's family, holds all the company's multiple voting shares.

In an interview last year with The Globe and Mail newspaper in Toronto, Mr. Sharp made it clear who was in control of the company. “I'm the only one who can fire me,” he said.

Under the terms of the deal, the public shareholders of Four Seasons would receive \$82 a share in cash, which represents a premium of about 28 percent above the company's stock price on Friday. The company's New York-listed shares traded above \$82 in early 2005 but have declined since then.

Analysts said the bid represented a fair price, but investors bid up shares of the company expecting that Mr. Sharp may be forced to increase his offer. Shares of Four Seasons closed at \$82.50 yesterday.

The holding company for the Sharp family would keep its investment in the Toronto-based hotel group. After the buyout, it would own about 10 percent of the Four Seasons, with the rest split evenly between Kingdom and Cascade, the company said.

Mr. Sharp considered selling the hotel chain in the 1990s. The Four Seasons hired [Goldman Sachs](#) in 1994 to seek potential buyers, but he called off the sale process later that year after Prince Walid agreed to make an investment in the company.

Mr. Sharp is closely identified with the Four Seasons chain in Canada. After studying architecture, he initially joined his father's small construction business in Toronto. In 1961, he purchased his first hotel but it was two years later that he made a significant move into that business.

The first Four Seasons hotel was a motor lodge in a section of downtown Toronto where, at the time, the hospitality industry mostly involved prostitution.

But it was directly across the street from the main studios of the Canadian Broadcasting Corporation. The location and Mr. Sharp's emphasis on luxury made it a popular destination for celebrities appearing on the C.B.C. and its bar attracted journalists and television stars.

Mr. Sharp's original concept, which he has more or less maintained through the ensuing four decades, was to build midsize hotels that emphasize service and luxury. Among other things, the chain features larger-than-average rooms. When the company took over management of the George V in Paris, for example, the number of rooms was reduced to 245 from 300 to offer increased size.

As a company, however, Four Seasons has undergone a significant strategic shift over time. Once Mr. Sharp successfully established the Four Seasons as a well-known luxury brand, he moved away from hotel ownership to hotel management. Most of those arrangements involve long-term contracts, upward of 50 years, and partnerships with other investors.

Ian Austen contributed reporting.

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