



Mohegan tribe may purchase defunct Tropicana

By ERIK ORTIZ Staff Writer, 609-272-7253
(Published: December 22, 2007)

Tropicana Entertainment announced a deal with lenders Friday to keep the company out of bankruptcy until it can sell the Atlantic City casino, which has attracted another possible suitor, the Mohegan tribe of Connecticut.

The deal keeps Tropicana Entertainment from defaulting on the terms of a \$1.3 billion bank loan for as long as one year. The company was owner and operator of the Tropicana Casino and Resort until state gaming regulators denied it a license Dec. 12.

Now a trustee for the casino must identify a new owner.

The Mohegan Tribal Gaming Authority, the agency that operates the \$1-billion-per-year Mohegan Sun Casino, has indicated the Tropicana could be a potential property for the expansion of its casino empire.

Jeffrey Hartmann, the authority's chief operating officer, said he's been in contact with Linda Kassekert, chair of the New Jersey Casino Control Commission, about the casino.

"I think our brand is well-established with many of the customers that visit Atlantic City today," Hartmann said in a telephone interview Friday. "We like the regulated environment, and I think we can be a good addition to the Atlantic City market."

In July, Mohegan executives in Connecticut hosted a delegation of Atlantic County officials. The company had been studying Atlantic City as part of its growth potential on the East Coast, a Mohegan executive told The Press of Atlantic City.

The Mohegan Sun Casino is undergoing a major expansion plan costing about \$925 million.

"The property generates a lot of cash flow," said Dennis M. Farrell Jr., a gaming analyst for Wachovia Capital Markets. "It can be a strong strategic move to diversify that cash flow."

Among the other developers to show interest in the Tropicana is David Cordish, chairman of the Baltimore-based Cordish Co., which created The Walk.

A formal application process for buyers is being devised, the Casino Control Commission said.

Tropicana Entertainment, an affiliate of Columbia Sussex Corp. in Kentucky, lost its license after weeks of negative publicity, meaning it cannot own or operate the casino.

Under the leadership of CEO William J. Yung III, the company laid off about 900 employees, or almost a quarter of the casino's work force. In hearings with the commission, customer complaints surfaced about dirty rooms and inadequate service, which casino officials said were fixed.

The commission also fined the casino \$750,000 for failing to install an independent auditing committee as required under the Casino Control Act.

Since then, Gary S. Stein, a former New Jersey Supreme Court justice, has been serving as trustee and conservator of the Tropicana. He oversees the casino hotel's operations and must find an appropriate buyer to be approved by the commission in 120 days, unless an extension is needed.

When a sale does occur, Columbia Sussex will receive no profit. It will get either the current market value or the price it originally paid for the casino, whichever is less, the commission said. Anything left over will funnel into a state fund to aid senior citizens and the disabled.

Columbia Sussex's bank debt helped finance the \$2.75 billion needed to buy the Tropicana property in Atlantic City in January, along with purchasing the Tropicana in Las Vegas and the Casino Aztar in Evansville, Ind.

Without a license, Tropicana Entertainment could have been ordered to pay back its loan to lenders almost immediately.

The company announced earlier this week that it will use the proceeds from the sale of Tropicana in Atlantic City, as well as the sale of Casino Aztar and the Horizon Vicksburg Casino in Vicksburg, Miss., to pay off debt.

"We are pleased to have reached an accommodation with our senior lenders and the trustee overseeing the Tropicana Atlantic City so that we can proceed with the orderly sale of our properties in Atlantic City, Evansville and Vicksburg, retire our senior credit facility and position our company for long-term growth," William J. Yung III, president and CEO of Tropicana Entertainment, said in a statement Friday.

In addition to giving Tropicana Entertainment flexibility in the sale of those properties, the new deal with lenders still allows the company to borrow under a \$90 million revolving loan commitment, which was reduced from the original \$180 million amount. Lenders also can require a faster accumulation of interest payments.

Overall, the deal is good news to the financially shaky Tropicana, Farrell said.

"It provides them more time, as opposed to having to go into restructuring right away," he added.

Meanwhile, Columbia Sussex's troubles outside of New Jersey have been mounting.

After complaints about the company by Evansville's mayor for laying off more than 90 workers, Indiana gaming officials have been looking into Columbia Sussex's actions, although a state commission spokeswoman has said their investigation may be dropped since the casino is to be sold.

Gaming officials in Louisiana, where Columbia Sussex owns two riverboat casinos, have not announced whether they will investigate the company, although under state gaming law, a company can be denied its license for five years if it is lost in another state.

Nevada gaming officials do plan to look into whether Columbia Sussex can still hold a license there, now that the company's been disciplined in New Jersey.

Columbia Sussex had plans to expand the Las Vegas Tropicana into the largest casino hotel in the world with more than 10,000 rooms. That possibility is now on hold.

"For everything that's unwound with the company, away from Las Vegas, (Yung's) lost a lot of equity value with his remaining assets," Farrell said. "No one really knows what he's going to do."

To e-mail Erik Ortiz at The Press:

EOrtiz@pressofac.com