

New operator of Atlantic City Hilton granted license

Atlantic City – New Jersey gaming regulators Wednesday granted the new owner of the Atlantic City Hilton Casino Resort an initial one-year operating license after hearing assurances that the gambling hall's financial troubles are finally behind it.

A new management structure, a debt refinancing and possibly a major expansion are planned to rejuvenate the undersized Boardwalk property, company officials said.

„We're quite excited about our prospects in Atlantic City and with our company in general,“ said Roger P. Wagner, chief operating officer of Resorts International Holdings.

Resorts International Holdings is an affiliate of Colony Capital LLC, the Los Angeles-based investment company that bought the Hilton and three other casinos in Mississippi and Indiana in a USD 1.24 billion deal last year. Colony also owns Resorts Atlantic City, but that casino is controlled by a different affiliate and operates under a separate license than the Hilton.

The state Casino Control Commission voted 5-0 to approve the Hilton's operating license, but stressed that the casino will be closely scrutinized as it continues its financial recovery.

„More challenges loom for Hilton,“ said Linda M. Kassekert, the commission's chair. „Although this year's first quarter provides a glimmer of a positive uptrend, whether Hilton will sustain that forward progress remains uncertain. Fortunately, the height of the Atlantic City (tourism) season is approaching, which should bode well for Hilton achieving further advances.“

Hilton struggled under its former ownership by Caesars Entertainment Inc. and those troubles continued in the fourth quarter of last year after Resorts International took charge, but the casino has begun a turnaround, Wagner told the commission.

Despite its small size, the Hilton led the casino industry in revenue growth in each of the first three months of this year. Hilton's management attributes the upswing to a "gaming-centric" marketing strategy that touts the property as an old-fashioned, high-stakes gambling hall.

The casino's long-term survival will largely depend on a debt refinancing, a new management structure and the possibility of a USD 500 million expansion project that will be submitted to Colony Capital in the next 45 days.

Wagner described tentative plans for a new oceanfront hotel tower next to the Hilton's existing tower and an array of retail and entertainment attractions across the street along Pacific Avenue. In addition, the Hilton may sell off a portion of the 12 acres of vacant land that it controls or look for a development partner, he said.

Expansion plans were crafted by the Hilton management team headed by President Anthony Rodio and Executive Vice President Phil Juliano. Under a new management structure, Rodio has been named regional president overseeing both the Hilton and Resorts casinos, although he will continue as chief executive at the Hilton. Juliano is taking a new regional job overseeing the marketing, human resources and financial operations of the two casinos, Wagner said.

A search is under way for a new boss at Resorts following the resignation this month of President Audrey Oswell. Frank McCarthy, Resorts' assistant general manager and executive vice president of finance, will head the property on an interim basis following Oswell's departure on May 1, but will

not get the top job permanently. Instead, McCarthy will be the chief financial officer for the Hilton and Resorts once the company selects Oswell's successor, Wagner said.

Another key piece of Hilton's turnaround is a USD 920 million debt refinancing for Resorts International Holdings' four casinos in New Jersey, Mississippi and Indiana. Eric J. Matejevich, the company's chief financial officer, said the refinancing would involve a USD 490 million loan and USD 430 million in high-yield notes and should be completed by late this year or early 2007.

Matejevich said Colony Capital is giving Resorts International Holdings a USD 50 million cash infusion to help it pay down its debts following defaults on its financial agreements. Earlier, Colony helped out with two other cash investments of USD 5 million and USD 14 million, he said.