

Bill Yung's Tropicana loss complete

Northern Kentucky hotel mogul Bill Yung stands to lose more than USD 500 million from the bankruptcy of Tropicana Entertainment LLC, which is relocating its headquarters to Las Vegas and canceling management-services contracts worth more than USD 1 million a year with Yung's hotel company, Columbia Sussex Corp.

It's not yet clear what impact those hits will have on Columbia Sussex, the Tri-State's largest privately held company with USD 2 billion in 2007 revenue and 22,000 employees. It employs about 160 at the company's 10-month-old headquarters in Crestview Hills. A company spokesman said the Las Vegas relocation will mean the loss of „less than five“ local jobs at Crestview Hills. Joseph Yung, Yung's son and Columbia Sussex's director of development, said he expects local employment to grow overall, but declined to comment further.

When company officials started construction on the 10-story headquarters last year, they predicted it would house up to 250 employees when it opened.

„Mr. Yung will still have some gaming properties,“ but will be „out of the picture“ at Tropicana Entertainment, said spokesman Hud Engelhart. „He will have no equity stake. That's fairly certain. He stands to take a pretty sizable hit, for sure.“

Ownership ,highly unlikely‘

Just 14 months ago, a filing with the U.S. Securities and Exchange Commission listed Yung's equity stake in Tropicana at USD 545 million. A New York attorney who represents bondholders in the bankruptcy case of Tropicana Entertainment

LLC, said Yung is “highly unlikely” to emerge from bankruptcy with any ownership in the reorganized company.

„It’s likely that a gaming company emerges from this,” said Edward Weisfelner, chairman of the bankruptcy and finance practice of Brown Rudnick law firm. Weisfelner predicted Tropicana’s restructuring will involve „conversion of some of the debt to equity in the new reorganized entity.“

Big aspirations

While it’s still not determined what casino properties will be sold off, or which will remain with the company, Weisfelner predicted Yung’s equity stake will be extinguished when the company is recapitalized.

„It’s a long shot to believe that it’s worth anything more than zero,” Weisfelner said.

Yung had much higher aspirations in May 2006 when he won a bidding war for the USD 2.1 billion acquisition of Aztar Corp., the publicly traded parent company of Tropicana casinos in Las Vegas and Atlantic City. The deal immediately doubled the size of Yung’s 26-year-old company and gave his hotel chain a national platform for growth.

But the highly leveraged transaction quickly ran into trouble after Yung cut hundreds of casino jobs and union leaders and elected officials asked gaming regulators to intervene. New Jersey’s Casino Control Commission terminated Yung’s casino license in December and hired a trustee to sell the Atlantic City property. In May, Tropicana filed for Chapter 11 protection in U.S. Bankruptcy Court for the District of Delaware in Wilmington. Bondholders forced Yung to relinquish control of the gaming company last month, but the final resolution of his ownership status might not come until January, when Bankruptcy Judge Kevin Carey has ordered Tropicana’s new management team to submit their Chapter 11 plan.

Favorable reviews for new board

Last week, the management team led by gaming industry veteran Scott Butera drew favorable reviews from the Nevada Gaming Control Board, which urged the Nevada Gaming Commission to permit Butera's four-man board to assume financial control over Tropicana's properties in Las Vegas, Tahoe and Laughlin.

Gaming industry analyst Joseph Weinert said the Nevada ruling is a sign that Tropicana can emerge from bankruptcy „in the good graces of regulators.“

But Weinert said it will be difficult for Yung to curry the same kind of favor for casinos excluded from the Tropicana bankruptcy filing. Those casinos are Lighthouse Point in Greenville, Miss.; Amelia Belle Casino in Amelia, La.; and Westin Casuarina in Las Vegas.

An ‚Everest-sized hurdle‘

„I would imagine the regulators would put conditions on his ability to exert control,“ said Weinert, senior vice president for the Atlantic City consulting firm, Spectrum Gaming Group. „He faces an Everest-sized hurdle to resume his former role in the industry.“

Assuming Yung can maintain control of casino properties excluded from the Tropicana bankruptcy, he still faces potential losses from business relationships he established when he acquired Aztar Corp. According to Tropicana Entertainment's annual report, filed with the SEC in late July, Columbia Sussex garners more than USD 1.3 million in annual revenue from management-services contracts with Tropicana casinos.

Weisfelner, who represents bondholders in the bankruptcy case, said those contracts are in the process of being terminated.