

Trump Entertainment to miss interest payment

Chicago (MarketWatch) – Facing tough competition and sliding revenue amid the economic meltdown, Trump Entertainment Resorts will have to skip a USD 53.1 million interest payment scheduled for Monday on its 8.5% senior secured notes due 2015 in order to maintain sufficient liquidity.

The Atlantic City, N.J., casino operator, with about USD 1.25 billion worth of the notes outstanding, said late Friday that it has a 30-day grace period to pay up and will meanwhile seek talks with its lenders to revamp its capital structure and improve its liquidity.

A panel of independent directors will oversee the talks, the company said.

If it doesn't make the payment in the 30-day grace period, Trump Entertainment said, holders of a quarter of the notes and lenders under a USD 490 million senior secured loan to a company subsidiary will be able to accelerate the maturities of those obligations.

Donald Trump, the television personality and New York real estate investor, is non-executive chairman and the largest shareholder of Trump Entertainment, which operates three Atlantic City casinos: The Trump Taj Mahal and the Trump Plaza on the Boardwalk and the Trump Marina in the Marina district. The last is being sold to Coastal Development for USD 270 million in a deal that has seen the price lowered and the closing deadline delayed.

Trump Entertainment „is separate and distinct from Mr. Trump's privately held real estate and other holdings, which the company understands encompasses substantially all of his net worth," the company said.

After his casinos twice ran into bankruptcy, Trump was removed from having any operating role in them as part of the deal that brought the company out of Chapter 11 the last time around.

And it could happen again: Earlier this month, Fitch Ratings warned that after the company drew a remaining USD 25 million available on its credit facility this quarter to help fund an expansion, „it will have little to no access to committed external funds.“

The ratings agency also said that „given Trump’s heavy debt load and the expected operating pressure in Atlantic City over the next 12 months, it is crucial for Trump to close the Trump Marina sale in order to avoid a restructuring, in the absence of another transaction.“

On Nov. 7, Trump Entertainment reported that it swung to a third-quarter loss of USD 139.1 million, or USD 4.39 a share, from a profit of USD 6.6 million, or 21 cents, in the year-earlier period. Continuing operations produced a loss of USD 3.49 a share against profit of 7 cents. Revenue fell 8.4% to USD 198.3 million.

The company cited slower consumer spending, competition from Pennsylvania, and a smoking ban as the primary factors in the latest results. The number of customers was relatively stable, but spending per person declined, the company said.

The company said then that it was controlling its costs and that its 21 top-paid executives had agreed to a 5% salary cut.

Shares of Trump closed at 31 cents Friday, giving the company a market capitalization of approximately USD 10 million. The stock price scraped as low as 25 cents earlier this month after trading near USD 6 this time last year.

Trump faces Deutsche Bank suit

Separately, Crain's Chicago Business reported that Deutsche Bank AG, the lead lender on the City's Trump International Hotel & Tower, is suing Donald Trump, trying to collect a USD 40-million personal guarantee he made to help get financing for the 92-story high-rise.

The bank filed the suit Friday in state court in New York, charging that Trump defaulted on the loan earlier this month by not paying off USD 334.2 million due to Deutsche Bank and its syndicate.

The move follows a suit Trump filed that accused Deutsche Bank and its syndicate of wrongly refusing to extend a Nov. 7 maturity date of a USD 640-million loan.

The magazine cited Trump's legal action as saying the lenders are harming condo-hotel unit sales and that a „force majeure“ clause in the loan agreement applies, since the world financial crisis is an extraordinary event that permits a loan extension.