

No deal in Tropicana casino sale

Atlantic City – There is a chance that the „stalking horse“ that wants to buy Tropicana Casino and Resort may not finish the race or even get out of the starting gate.

Cordish Co., the Baltimore developer designated last fall as the so-called stalking horse, or leading bidder, in Tropicana’s protracted sale, missed a deadline Monday to reach agreement to buy the troubled casino.

Gary S. Stein, the state-appointed conservator overseeing Tropicana’s operations, responded by petitioning the New Jersey Casino Control Commission to extend the sale for at least three more months. He also wants permission to have Tropicana sold in a bankruptcy auction without a minimum bid from a stalking horse if no agreement is reached with Cordish or another potential buyer by Feb. 20.

Stein, a retired New Jersey Supreme Court justice, said Cordish hasn’t come to terms yet despite intense negotiations that continued through the weekend. He added that Cordish is still „actively engaged“ in the talks.

„They certainly have not withdrawn,“ Stein said.

David S. Cordish, chairman of the company, also confirmed in a brief e-mail Monday that he still hopes to buy Tropicana.

„We continue to be very interested and are continuing to work with Justice Stein and the creditors,“ Cordish said.

The Casino Control Commission gave Stein some wiggle room in case he didn’t meet Monday’s deadline to reach agreement with Cordish. He exercised it Monday afternoon by petitioning the commission for an extra three months and to possibly have

Tropicana sold in bankruptcy without a stalking horse.

The stalking horse has the inside track on a sale, but is also supposed to generate interest among other potential buyers to drive up the bids. Stein disclosed in his petition that Tropicana's creditors strongly objected to Cordish's proposed purchase price and likely would have tried to block the sale if Cordish continued in the role of leading bidder.

Gilbert L. Brooks, an attorney representing secured creditors who hold a USD 1.3 billion mortgage on the Tropicana casino, said it will be up to the commission to decide how the bankruptcy auction should proceed now that Cordish appears out as the front-runner.

„The process itself was not set up specially for Cordish,“ Brooks said. „It was set up to create the best bid for the property.“

The commission is expected to sort out the mess when it holds its regularly scheduled meeting Feb. 18. Stein stated in his petition that he would file for bankruptcy „as soon as practical“ following that meeting.

„Upon the initiation of the bankruptcy, Justice Stein would ensure that appropriate orders are sought on the first day to ensure the stability and the uninterrupted operation of the casino,“ the petition said.

Tropicana has been under Stein's control and up for sale since the commission yanked its gaming license in December 2007 following mass layoffs and regulatory violations. The recession, the global credit crisis and legal disputes have slowed the sale process to a crawl.

Cordish initially offered USD 700 million in cash and notes or USD 575 million in an all-cash deal when it was named the leading bidder in September. Since that time, the recession has deepened and Tropicana's financial performance has slipped

even more. Cordish has now lowered its offer to an undisclosed amount to reflect the economic slump.

Tropicana's creditors fear the casino will be sacrificed at a bargain-basement price and they would end up with little money or nothing at all. Instead of a sale, they want the casino returned to its former owner, Tropicana Entertainment LLC.

Under that scenario, Tropicana Entertainment would enhance the value of Tropicana Atlantic City by combining it with the company's portfolio of casinos in Nevada, Mississippi, Louisiana and Indiana. It would also mean that the Casino Control Commission would have to relicense Tropicana Entertainment – 14 months after it found the company unfit to own an Atlantic City gaming hall.

Brooks said Tropicana Entertainment has since overhauled its corporate and management structure to create what is essentially a new company. He also said the company is working to restructure its debts in bankruptcy court to strengthen its finances and switch to new ownership.

„It may have ‚Tropicana‘ somewhere in the name, but it will be a new company,“ Brooks said. „It will be a completely new organization.“