

Trump Entertainment Files for Bankruptcy Protection

(Bloomberg) – Trump Entertainment Resorts Inc. filed for bankruptcy protection overnight before the casino operator's bondholders could present an involuntary petition.

The Chapter 11 petition, filed days after founder Donald Trump quit the board, listed assets of USD 2.06 billion and debt of USD 1.74 billion as of Dec. 31, according to the filing today in U.S. Bankruptcy Court in Camden, New Jersey. This is the third time Trump's casinos have sought protection from creditors.

Trump Entertainment owns three casinos in Atlantic City, New Jersey, which saw a record decline in gambling revenue last year amid the recession and competition from slot machines in neighboring states. The company missed a USD 53 million interest payment at the start of December, and an extended grace period to make a defaulted coupon payment was to end today.

"The fixed-income community has been expecting a debt restructuring here for some time due to the woes of Atlantic City and the high leverage of the company's capital structure," Dennis Farrell, a debt analyst with Wachovia Capital Markets LLC in Charlotte, North Carolina, said today in a phone interview.

Bondholders "indicated they are preparing to file an involuntary petition" for Chapter 11, according to today's court filing. Trump Entertainment has reported profit in just three quarters since emerging from bankruptcy in May 2005.

Purchase Offer

Donald Trump quit the company's board on Feb. 13, saying he

disagreed with bondholders' decisions, including their rejection of a buyout offer he made.

Trump, 62, is a real estate developer and stars in the television show "The Apprentice." Trump controls 24 percent of Trump Entertainment's stock, according to today's filing. His daughter, Ivanka Trump, also quit the board last week.

Trump Entertainment dropped 5 cents, or 22 percent, to 18 cents at 3:59 p.m. in Nasdaq Stock Market composite trading. Before today, the shares advanced 35 percent this year.

The company's market value tumbled to USD 7.3 million through Feb. 13 from its peak at USD 842 million in August 2005. Donald Trump, Morgan Stanley, Franklin Mutual Advisors LLC, and Sam Chang are listed as Trump Entertainment's biggest shareholders in today's petition.

Marina Sale

The company owns the Trump Taj Mahal Casino Resort, the Trump Plaza Hotel and Casino, and the Trump Marina Hotel Casino. Trump Entertainment affirmed in today's filing it plans to complete the sale of Trump Marina to Richard T. Fields' Coastal Marina LLC in May.

The company's 8.5 percent notes due June 2015 traded at 11 cents on the dollar, according to Trace, the bond-pricing system of the Financial Industry Regulatory Authority.

Trump Entertainment is represented by Michael Walsh of Weil, Gotshal & Manges LLP, who represented bondholders in the company's 2004 bankruptcy reorganization.

Trump Entertainment's local counsel is Charles Stanziale, from McCarter & English LLP in Newark, New Jersey.

Trump Entertainment will ask the Federal court in Camden tomorrow to allow the company to continue paying utilities and salaries, Stanziale said today in a telephone interview.

Another hearing is set for Feb. 19 to ask the court „to approve an agreement between the lenders and the company to continue to fund its operations“, he said.

“We’re not asking for additional monies; we’re just asking for the use of the monies that are already” available, said Stanziale.

Creditors

The 20 largest creditors without collateral backing their claims are owed about USD 1.32 billion, according to court papers. U.S. Bank National Association, as trustee for bondholders, is listed as the largest unsecured creditor with a claim of USD 1.31 billion.

Other unsecured creditors include Bovis Lend Lease Inc., with a claim of USD 7.47 million; Thermal Energy Limited 1, with a claim of USD 1.86 million; Hess Corp., with a claim of USD 1.36 million; and Casino Control Fund, with a claim of USD 1.15 million.

Gambling revenue in Atlantic City fell a record 7.6 percent in 2008, its second annual decline, amid the recession and slot-machine competition from Pennsylvania and New York.

Trump Entertainment said Dec. 1 it would skip its interest payment to conserve cash and hold talks with lenders on restructuring its finances. Holders of most of the company’s USD 1.25 billion in notes and Beal Bank Nevada, which is owed USD 490 million, agreed not to exercise default rights for interest or principal payments until 9 a.m. New York time today, a target they had extended four times.

Beal Bank Loan

In December 2007, the company received a USD 500 million loan from Beal Bank Nevada, a Las Vegas-based affiliate of Dallas-based Beal Bank.

Merrill Lynch & Co. was hired in 2007 to find a buyer for the company, without success.

Trump Entertainment emerged from bankruptcy 3 1/2 years ago. Its predecessor, Trump Hotels & Casino Resorts Inc., sought court protection in November 2004. It had lost money for nine years because of high interest payments that Trump claimed prevented the company from refurbishing and expanding its casinos. The three casino resorts also went through bankruptcy in the 1990s.

The case is In re TCI 2 Holdings LLC, 09-13654, U.S. Bankruptcy Court, District of New Jersey (Camden).