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Market could thin the herd of 11 AC casinos

By WAYNE PARRY
Associated Press Writer

This town isn't big enough for the 11 of us.

That's the message from new quarterly tax documents in the nation's second-largest gambling market, where as many as half the casinos are for sale and three could close if things don't improve soon.

The Atlantic City Hilton hasn't paid its mortgage in nearly a year, it lost more than \$8 million in the first three months of this year, and it owes its lenders nearly \$24 million it hasn't got.

Resorts Atlantic City was doing so badly last winter that it handed itself over to its lenders; now they're looking for someone to buy the first U.S. commercial casino outside Nevada. And the asking price for Trump Marina, on the selling block for two years, continues to plummet.

The Great Recession has been compounded here by more than three years of competition from slots parlors in neighboring states, including Pennsylvania and Delaware.

"Atlantic City has a little too much gaming capacity right now," said Cory Morowitz, a casino analyst based near Atlantic City. "When you introduce competition into a market, the older, less-capitalized businesses tend to fall by the wayside. That's clearly what's happening in Atlantic City."

In 2006, when the first Pennsylvania slots parlor opened and the economy was still steaming along, Atlantic City's 11 casinos brought in \$5.2 billion for the year. By 2009, their combined annual revenue had fallen more than 24 percent to \$3.9 billion. So far this year, it's down 7.6 percent, compared with the first four months of 2009.

Casino executives fear revenue will fall another 15 percent once table games are offered in adjacent states.

Here's the scoop on the city's most vulnerable casinos:

_ THE HILTON: In its quarterly financial report, the Hilton reported a gross operating loss of \$8.2 million, compared with \$8.4 million in the same period last year. After defaulting last July on a key loan, the Hilton now owes lenders led by JPMorgan Chase & Co. nearly \$24 million in missed payments.

Its parent company, an affiliate of Colony Capital LLC, the Los Angeles hedge fund, is trying to restructure its debt, according to the filing, and the lenders have held off on foreclosure proceedings.

"In addition, the company is evaluating a range of financial and strategic alternatives to address its operating results and financial position," the Hilton write in its filing.

Spokesmen for Colony Capital and JPMorgan Chase declined comment. But several analysts said Colony's options include

selling out, taking on an operating partner, selling one or both the casinos Colony owns in Mississippi and using the proceeds to pay down the Hilton's debt, or closing the Hilton.

_ RESORTS: This casino has been on the market since December, when it handed itself over to a newly formed company called RAC Atlantic City Holdings LLC that represents Resorts lenders including Wells Fargo and Credit Suisse.

Resorts posted a \$7 million gross operating loss for this year's first quarter, nearly double that of a year earlier. But Nicholas Ribis, a former co-owner of the casino who now runs it, is readying an offer to buy it himself.

A spokesman for Ribis declined comment. Paul O'Gara, a spokesman for the lenders, would only say that Resorts is still actively seeking a buyer.

_ TRUMP ENTERTAINMENT'S THREE CASINOS: A bankruptcy court has tentatively assigned the three gambling halls owned by Trump Entertainment Resorts to the company's bondholders, Donald Trump and his daughter, Ivanka. But billionaire investor Carl Icahn and Dallas-based Beal Bank have appealed the decision, arguing that their rescue plan is more feasible and the bondholder-Trump plan is doomed.

Regardless of who wins, Trump Marina Hotel Casino — the city's smallest with 728 guest rooms — remains for sale, dirt cheap. After a deal by Trump Entertainment to sell it to a former Donald Trump protege for \$316 million fell through, the price fell to \$270 million. Now, analysts expect it to fetch less than \$75 million, if it sells at all; it reported a first-quarter gross operating loss of \$2.5 million, compared with \$858,000 a year earlier.

_ THE BORGATA: Because MGM Mirage decided in March to stop doing business in New Jersey rather than cut ties with the family of an Asian casino mogul the state felt was too closely linked with organized crime, it is selling its 50 percent interest in Atlantic City's top casino, the Borgata Hotel Casino & Spa.

Co-owner Boyd Gaming has the right of first refusal to buy MGM's interest.

So far no deal has been struck.



FILE - In this Nov. 14, 2007, file photo, hotels and casinos in Atlantic City, N.J. are seen reflected in the water. (AP Photo/Mel Evans, file)



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