

Atlantic City Hilton Casino Resort is headed back to court - Press of Atlantic City

Written by Administrator
Sunday, 19 December 2010 11:00 -

ATLANTIC CITY - The Atlantic City Hilton Casino Resort, losing millions of dollars and under threat of foreclosure, is heading back into court to try to prevent its lenders from seizing control of the gaming hall.

U.S. Bank National Association filed a motion asking for permission to foreclose on Atlantic City's smallest casino, now in default of its

mortgage. A hearing is scheduled Tuesday morning in Atlantic City before state Superior Court Judge William C. Todd III.

Even if Todd grants the motion, the bank would not immediately foreclose on the property. An attorney for the Hilton's owners is predicting it would be a long and difficult legal battle before the bank ever takes over the Boardwalk casino, assuming it goes that far.

"There's a lot of complexity to it, depending on what happens," said Gilbert L. Brooks, a New Jersey lawyer who represents Resorts International Holdings LLC, an affiliate of Colony Capital LLC, a California-based private real estate investment firm that bought the Hilton and three other casinos in Mississippi and Indiana in 2005 for \$1.24 billion.

That company sold one of those properties, Resorts East Chicago, in East Chicago, Ind., to Ameristar Casinos Inc. in 2007 for \$675 million.

U.S. Bank wants to foreclose on the Hilton because the casino stopped making payments on its mortgage in July 2009. As of September, the Hilton missed \$39.3 million in interest payments on the mortgage, the company said in its latest quarterly tax filing with the New Jersey Casino Control Commission.

In a court hearing in September, attorneys said the Hilton and its two sister casinos in Mississippi owe \$500 million on their combined mortgage.

The Hilton had been trying to negotiate a debt restructuring with its lenders, but the ongoing court fight suggests those talks have not been productive. Brooks declined to say whether both

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sides were attempting to work out a settlement. Joseph Lubertazzi Jr., a New Jersey attorney for U.S. Bank, could not be reached for comment.

Characterizing U.S. Bank's motion as "premature," Brooks said the

Hilton will ask the judge for more time to defend itself. The dispute is expected to head to trial if Todd rejects the foreclosure request, beginning what could be a drawn-out fight.

If Todd rules in favor of U.S. Bank, the foreclosure route could be similarly lengthy, Brooks said. New Jersey foreclosure proceedings often take months to complete, which would give the Hilton's owners more time to try to save the property or negotiate a settlement.

U.S. Bank has been putting legal pressure on the Hilton throughout the year. In September, the bank asked Todd to force the Hilton into receivership so it could be sold. However, the judge denied the request then, ruling that receivership would not significantly improve things at the troubled casino.

The Hilton suffered a \$4.7 million operating loss in the third quarter and is \$19.1 million in the red through the first nine months of 2010. It has lost more money this year than any other Atlantic City casino.

Barring a settlement with lenders, the Hilton could follow the same track as its former Atlantic City sister property, Resorts Casino Hotel.

Lenders took over Resorts from former owner Colony Capital in December 2009 after the casino defaulted on its \$360 million mortgage and was threatened with foreclosure. The lenders sold Resorts this month for \$31.5 million to Atlantic City gaming executive Dennis Gomes and New York real estate magnate Morris Bailey.

Landry's Restaurants Inc., parent company of the Las Vegas Golden Nugget Casino Hotel,

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expressed an interest in buying the Hilton in September. No price was disclosed then, but Landry's said it wanted to rebrand the Hilton as a Golden Nugget property. Before it was renamed the Hilton, the casino was known as the Golden Nugget when it opened in 1980 under the ownership of Las Vegas gaming mogul Steve Wynn.

Lloyd D. Levenson, an Atlantic City attorney representing Landry's, did not know whether the company still has an interest in the Hilton. Steve Scheinthal, executive vice president and general counsel of Landry's, could not be reached for comment at the company's corporate office in Houston.

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