

# Ocean Resort Casino lost \$23 million in 7 months, 'not in compliance' since November

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ATLANTIC CITY — After losing nearly \$23 million in its first seven months of operation, Ocean Resort Casino was approved by state regulators Wednesday for a complex financial deal so it can continue to operate during an ownership transition.

But, even after reviewing the proposal to keep the \$2.4 billion megaresort open, gaming regulators expressed reservations about its viability going forward.

“This property has clearly had (a) very challenging (past), and I’m very, very concerned about its future,” said Casino Control Commission Vice Chairwoman Alisa Cooper. “I sincerely hope that this arrangement before us today will be successful and enable this property to survive.”

The three-member commission unanimously approved a joint petition for a divestiture trust agreement between the casino’s former principal owner, Bruce Deifik, and Luxor Capital Group, a New York-based hedge fund that provided significant funding for the property’s purchase in January 2018.

The commission also approved a request that the arrangement be administered by a designated trustee, Eric J. Matejevich, a former chief operating officer of the closed Atlantic Club Casino Hotel.

“The proposed divestiture trust represents a unique vehicle through which Luxor, a qualified financial source of Ocean Resort, but not yet a casino licensee or casino licensee applicant, can invest in Ocean Resort to support it maintaining its financial stability,” said Chairman James Plousis. “With approval of the divestiture trust agreement and qualification of the trustee, we will not only maintain public confidence and trust in the credibility and integrity of the regulatory apparatus, but will advance the economic stability of Ocean Resort’s casino operations.”

Luxor will now begin the process of interim casino authorization, which could take up to 90 days for an investigation by the state Division of Gaming Enforcement and an additional 30 days for the commission to set a hearing on the authorization. Following approval for interim casino authorization, Luxor would then begin the more intensive, and lengthy, process of being qualified to hold a casino license.

Prior to the chairman’s remarks, Sara Ben-David, deputy attorney general with the DGE, outlined how the casino operators failed to meet several of the financial conditions placed upon Ocean Resort during its license hearing.

Among the 26 stipulations for approval of a casino license, Ocean Resort was required to maintain a daily operating cash balance of not less than \$10 million, a casino bankroll of not less than \$11 million and direct access to capital and debt service reserves of at least \$15 million.

Ocean Resort was to immediately notify the DGE if it fell below the \$36 million threshold at any point.

In mid-October, according to Ben-David's testimony, the casino sought relief of the minimum requirement. Temporary relief of a \$31 million requirement was granted and later extended until November.

"Since November 2018 (Ocean Resort) has not been in compliance with division requirements," she said. "Discussion between (Ocean Resort) and its lenders resulted in the proposed transaction."

A DGE report submitted to the commission Jan. 29 detailed just how precarious Ocean Resort's financial situation has been. In September, the casino reported operating losses of \$3.2 million. The next month, losses at Ocean totaled \$4.1 million. In November the property lost \$5.5 million, and in December it lost \$5.8 million. Through the first 24 days of January, Ocean Resort reported operating losses of \$4.1 million.

At the recommendation of the DGE, the commission approved the trust agreement but installed five additional conditions to "provide the state the ability to continue strict oversight," said Plousis.

Luxor Capital and JPMorgan Chase Bank were primary lenders to Deifik, who purchased Ocean Resort for \$229 million. The financing consisted of two bridge loans: \$110 million from JPMorgan Chase and \$122.5 million from Luxor. The JPMorgan loan was repaid in June with a second loan of \$175 million from the bank.

The joint petition filed by Luxor and Deifik outlines how the recently announced \$70 million investment by the hedge fund will be allocated. According to the petition, \$50 million of Luxor's investment will be used to reduce the principal balance owed to JPMorgan. The remaining \$20 million will be used to acquire majority ownership interest of TEN RE.

Luxor has announced its intentions to construct the long-awaited buffet at Ocean Resort, as well as finish the uncompleted 12 hotel floors in the middle of the tower, which would add an additional 500 rooms to the existing 1,399.

In other commission business, Jason L. Gregorec was granted a temporary key casino employee license to serve as Tropicana Atlantic City's vice president and general manager. Gregorec has casino experience in Detroit and with Tropicana's property in Indiana. He takes over for Steve Callender, who was recently named senior vice president of operations for the East region of Tropicana's parent company, Eldorado Resorts.