

# Tropicana CFO exits , revolving door'

As the Tropicana fights to keep its casino license in Atlantic City and its parent negotiates with lenders on USD 2.3 billion in debt, the company's chief financial officer announced yesterday he was resigning to take a job in Ohio.

John Jacob, who last week testified about Tropicana's finances in its licensing hearing before the N.J. Casino Control Commission, is the second CFO Tropicana Casinos and Resorts has lost this year. Jacob held the job less than four months. On Aug. 2, he replaced Richard Fitzpatrick, who was hired in 2006 to oversee the acquisition of Tropicana's former owner, Aztar.

Tropicana's new owner, William Yung, said during a break in the licensing hearing yesterday that Jacob was tired of commuting to the company's headquarters in Kentucky and took a job with an unnamed private-equity firm closer to his home in Columbus, Ohio.

Yung said the move was expected and he already has a replacement in mind. But, he added, „The timing was not good.“

In a press release, Tropicana Resorts said Jacob's resignation will take effect Friday, the same day the Atlantic City casino's license expires. The release also said Yung „assured regulators and investors that the company's vice presidents of finance and accounting have more than enough resources to manage in the interim.“

Lehman Bros. analyst Jane Pedreira said the loss of Jacob creates the perception „it's a revolving door.“ The company also replaced its chief operating officer this year, and many of its casino presidents have left or been forced out.

„It’s a problem if they can’t hold onto their executive officers or their general managers,“ Pedreira said.

Jacob’s departure comes at a critical time. An affiliate of Tropicana Resorts said it recently violated a covenant on its USD 2.3 billion debt that requires the debt to be less than 7.5 times EBITDA – or earnings before interest, taxes, depreciation and amortization. The affiliate came in at 7.53.

In testimony before the commission, Jacob said the company made a mistake in the way it calculated the ratio. Had it discovered the error earlier, the company could have paid USD 15 million to prevent the violation. It is now trying to renegotiate its agreement with its lenders.

In addition, Tropicana has come under fire for laying off 25 percent of its work force in A.C., which some say has caused double-digit declines in revenue because there are not enough employees to keep the casino clean. And the company is in the midst of trying to convince the state commission to renew its license.

That hearing continued yesterday as Tropicana Resorts’ general counsel, Donna More, was grilled by Acting Division of Gaming Enforcement Director Yvonne Maher about regulatory problems the company has encountered across the country.

Among them: In Indiana, a riverboat was fined more than USD 125,000 to settle 14 violations that occurred from Jan. 2 to April 1, and regulators are investigating layoffs. In Louisiana, a riverboat was the subject of nine administrative warnings during a three-month period in 2006.

And in New Jersey, the Gaming Enforcement Division issued 21 warning letters to the Tropicana from Jan. 9 to Oct. 16, accounting for nearly one-quarter of all letters sent. And the division has filed 11 complaints against the casino. The most serious is an allegation the Tropicana did not have an independent audit committee for six months after Yung bought

it.

More said the company had trouble as it grew into a major gambling company when it acquired Aztar in January. But she conceded she needed help overseeing compliance of the company's 14 casinos. Only the Tropicana in Atlantic City has its own general counsel.

While More said she was not involved in company decisions over layoffs, she did meet with regulators about them. In August, Tropicana officials told regulators as many as 320 additional jobs could be cut. But after regulators raised concerns, Tropicana revised that number down to 33.