

# New Jersey casino commission denies license to Tropicana

Atlantic City – In a stunning development, the New Jersey Casino Control Commission today denied a license renewal for the troubled Tropicana Casino & Resort, saying that a trustee would operate the Boardwalk facility immediately until a buyer was found.

It was only the second time a license renewal has been denied in the 29-year history of legalized gambling in Atlantic City.

The Tropicana's attorney, Paul O'Gara, said the casino owner, Columbia-Sussex Corp., would appeal the decision, as soon as tomorrow morning, in state court.

By a 4-1 vote, the commission said Columbia-Sussex and its chief executive officer, William J. Yung III, had failed to meet the state's strict operating standards for financial responsibility, character and integrity.

„In a word, Tropicana's regulatory performance over the past year has been abysmal," commission chairwoman Linda Kassekert said in announcing the decision. She cited, in particular, the casino's failure to create an independent audit committee, a critical regulatory requirement for Atlantic City casino operators.

The commission also imposed its highest fine ever on a casino: USD 750,000.

Kassekert said the decision should „reinforce the commission's reputation as one of the toughest in the country.“

Gaming analyst Andrew Zarnett of Deutsche Bank AG in New York said the commission „is saying: ‚Work within the regulations that are set forth. You have the freedom to make business

decisions on how to run your business. Disobey the regulations, and the consequences can be significant.' "

The Tropicana had the seventh-largest revenue among Atlantic City's 11 casinos for the first 11 months of 2007. That revenue of USD 373.5 million was down from USD 421 million during the same period in 2006, when it was Atlantic City's sixth-largest casino revenue.

Although Columbia-Sussex is a private company, it has public corporate debt, and, after the announcement, the firm's bonds were trading down 10 percent to 15 percent.

Officials said former New Jersey State Supreme Court Justice Gary Stein, who was appointed a year ago as trustee when Columbia-Sussex first applied for an interim casino license, will now be the effective chief executive of the casino until a buyer can assume control.

„The casino will remain open and operating under Stein's direction," Kassekert said.

Columbia-Sussex executives, including Yung, had left the commission hearing room before the decision was announced because their attorneys had informed them of the results.

As Kassekert read the ruling, there were gasps and cheers from members of the union, Unite Here Local 54, which had been calling for the commission to deny the relicensing.

The Tropicana management had requested a renewal despite vigorous opposition from Unite Here, the city's largest union, over complaints about unsanitary conditions at the casino. The union claims about 900 layoffs since January were to blame for diminished customer service there.

Last week, the acting director of the state's gaming-enforcement agency recommended a one-year license for the embattled casino instead of the typical five-year license.

But, Kassekert said today, „staffing was slashed in pursuit of profit. Cleanliness was disregarded in order to meet a predetermined bottom line. Customer service was dismissed. . . . I do not believe this applicant has the business ability to operate a facility of this size and magnitude given the decisions that were made.“

O’Gara, the Tropicana’s attorney, appeared stoic during Kassekert’s remarks. Afterward he said: „Obviously I’m disappointed. We’ll go back and see now what the procedures are going forward, and we’ll look at the rights we have with respect to an appeal.“

Robert McDevitt, president of the 16,000-member Unite Here local, said the ruling was a victory „for the community and for the industry.“

„An element that was taking the industry in the wrong direction is being removed. There’s no place for bottom-feeders in Atlantic City,“ McDevitt said.

The only opposing vote was that of Commissioner Michael Fedorko, who said a license revocation was too severe a step and exceeded the commission’s authority. He said he wanted to follow the enforcement division’s recommendation of a one-year renewal.

„Clearly, mistakes were made and regulatory infractions occurred,“ Fedorko said. But, based on the „totality of the record,“ he said, a limited relicensing, „together with the imposition of stringent license conditions, as proposed by the division, would be appropriate.“

He said „a casino licensee is extended broad discretion and wide latitude in its efforts to achieve and enhance cost efficiency and profitability.“

The commission denied a relicensing in 1989 to the bankrupt operators of the Atlantis Casino Hotel.

Yung, the head of Columbia-Sussex, which owns about 80 hotels across the United States, said in testimony last month that he ordered layoffs as a result of dwindling revenue. He blamed the revenue decline on new competition from Pennsylvania and New York slots parlors and an April order that limited smoking to one-quarter of the casino floors here.

Last month was not much better for the Tropicana. Total gambling revenue for November was down 21.1 percent at the casino. Slots revenue was down 26.4 percent, almost five times the decrease of table-game revenue of 5.6 percent.

Seven other Atlantic City casinos also reported revenue declines last month from a year ago, mostly because of Pennsylvania slots.

In her closing remarks last week, Local 54's attorney, Regina Hertzig, argued for a third party to take over the Tropicana, claiming that privately held Columbia-Sussex was unfit to run it as a first-class facility as specified under the New Jersey Casino Control Act.

The act authorizes the commission „to require each casino licensee to establish and maintain an approved hotel which is in all respects a superior, first-class facility of exceptional quality which will help restore Atlantic City as a resort, tourist and convention destination.“

The act was passed in 1977, but has since been amended several times.

The gambling commission allowed into evidence 71 customer complaints against the Tropicana over uncleanness. Tropicana attorneys had wanted the files sealed.

The Tropicana's license was due to expire at 12:01 a.m. Dec. 1, but the commission extended it until a decision was reached on relicensing.