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# State buyout of Twin River possible

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By Katherine Gregg

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PROVIDENCE — With a crucial financial deadline for Twin River now a week away, House Speaker William J. Murphy said the point has come where “we have to look at all the options ... to make sure that our third-largest source of revenue is protected,” and that includes a potential state buyout of the Lincoln track-and-slot parlor.

In an interview yesterday, Murphy said that “there are things on the horizon” that he is not yet free to discuss publicly. But he said he is “optimistic that we have safeguards in place” to protect the state’s quarter-billion-dollar share of the slot revenue even if Twin River remains unable to repay its lenders, and those lenders — led by Merrill Lynch, which was scooped up in an emergency government-financed merger with Bank of America — are unwilling to extend a loan-forbearance agreement expiring at the end of this month.

Said Murphy: “I know that we are coming to a fork in the road, and as Yogi Berra said, when we get to the fork in the road, we will take it.”

Murphy made his comments late in the same day that Governor Carcieri had an unannounced meeting with the New York lawyers and financial advisers from the two international consulting firms — Willkie Farr & Gallagher and the Blackstone Group — that the state hired last summer to “to give advice on restructuring issues and other contingencies as they might develop.”

Carcieri spokeswoman Amy Kempe said: “Willkie Farr and Blackstone provided the governor with a status report on the financial situation with Twin River.” She would not elaborate.

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But General Treasurer Frank Caprio said Twin River's debt is currently valued by the investment community at 60 cents on the dollar, meaning the original \$400-million loan is only worth \$240 million as a marketable item. Unlike an outside buyer, the state already controls Twin River's gambling license, so it would not have to pay for it.

Altogether, he said the potential price of a Twin River buyout is within "a range that would make a transaction [even more] viable" than when he first floated the idea last fall.

When he first raised the idea in October, he said he would prefer to see "the private owners and lenders resolving this themselves." But with that possibility becoming increasingly uncertain — and a major credit-rating agency warning of the high probability that the company that owns Twin River would end up in bankruptcy — Caprio talked up the opportunity to buy the Twin River real estate "at a market low and sell at a higher price when favorable economic and credit conditions return."

With a Jan. 31 deadline approaching, the behind-the-scenes talk is about "options" to keep Twin River open and churning out revenue from the 4,751 video slots already owned by the state Lottery.

Twin River is run by a subsidiary of BLB Management Services Inc., a holding company composed of Kerzner International, Starwood Capital Group and Waterford Group LLC. The company bought the aging Lincoln Park dog track in 2005, along with three greyhound racetracks and a horse track in Colorado, and then embarked on a \$225-million renovation and expansion.

The depth of the owners' financial difficulty surfaced in June when they missed a loan payment, and their contractors who worked on the building rehabilitation initiated collection proceedings in court. Since then, their first-tier lenders have given them one extension after another to pay a reported \$565 million in debt, as long as they met certain monthly payment targets.

The most recent of these forbearance agreements expires on Jan. 31.

In June, the owners offered to pay the state \$560 million up-front if it would cut its share of the slot revenue by more than half, to 25 percent. Asked at the time how Twin River's owners could afford to offer the state \$560 million when they couldn't afford to pay their lenders, spokeswoman Patti Doyle said: "If we are able to reduce our tax rate overall, the lending community will look more favorably on our relationship with the state" and presumably be "willing to advance the up-front payment."

But the governor and lawmakers said no.

The owners have reportedly pitched a series of proposals since then aimed at plugging a \$30-million hole in their finances, none of which has gained favor among state leaders wrestling with a \$357-million current-year state deficit.

And Murphy said the one option that is definitely not up for discussion is a reduction in the state's share of the revenue, which is 60 cents out of every dollar left behind by a slot player. Asked the likelihood of a state takeover, he said: "All I can say today is we have to look at all the options."

Murphy said he met with co-owner Len Wolman within the last two weeks. "They've been making a go of it. The money is there. They are doing very well. The facility itself is doing well ... The debt is the issue," Murphy said. Twin River's real estate is assessed at \$114,677,600 for tax purposes, and the tangible property — such as furniture and fixtures — at \$71,359,288, according to the Lincoln tax assessor's office.

Late last night, Doyle said, “We continue to meet diligently with state and legislative leaders in order to reach a resolution by the January 31st forbearance deadline. We are hopeful to make considerable progress by that date ... but at this writing, we wish to decline specifics on our discussions...[and] cannot speculate at this time on what extension — if any — may be granted beyond the January 31st deadline.”

[kgregg@projo.com](mailto:kgregg@projo.com)