Attachment E

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At the Assembly

More fiscal turmoil facing Twin River

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PROVIDENCE — The status of Twin River's efforts to steer clear of a financial meltdown grew hazier yesterday when its chief lender disclosed that the state's largest slot parlor defaulted weeks ago on a loan-forbearance agreement that was supposed to run through today.

Today would have been the expiration date "had certain milestones been reached, but the agreement actually expired on January 5," said Bill Halldin, a spokesman for the Merrill Lynch Capital Corporation.

He would not elaborate on why the agreement lapsed, but said "we are continuing our discussions with all parties and interests."

Seeking to minimize the significance of the Merrill Lynch disclosure, Twin River spokeswoman Patti Doyle said: "Twin River made the requisite payments under the agreement. Merrill Lynch's interpretation was based upon a non-financial milestone. It is a moot point because the agreement expires no matter what as of" today.

Twin River is expected to generate $246.8 million in slot-revenue for the state this year alone. With the governor, the state treasurer, legislative leaders — and potential competitors in Massachusetts — watching closely what may happen next in the on-going negotiations between the struggling slot-parlor in Lincoln and its Wall Street lenders, Twin River issued this late-day statement:

"We acknowledge that the period of forbearance has come to an end. We remain hopeful that we can continue the necessary dialogue with the stakeholders in order to achieve resolution. Preservation of the state's third-largest source of revenue is in the balance. All parties continue to focus on a solution."

No further announcement was expected over the weekend.

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 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 program. Twin River is now home to a dog track and 4,751 video slots.

Twin River's revenues were still up when other gambling operations were down. Since October, however, it has been netting less than it did at the same point a year ago, despite an increase in the number of available video-slots. The remaining debt to a group of lenders, led by Merrill Lynch, has been estimated at $565 million.

After missing a loan payment in March, Twin River's owners struck the first in a series of forbearance agreements in which they agreed to make interest payments only of about $2 million a month to the first-lien holders, which include Merrill Lynch, JPMorgan Chase and Deutsche Bank, but not to a second group of unidentified lenders, who gave BLB $145 million of the original $577 million. The latest of those agreements was to expire today, but did so prematurely for unexplained reasons.

One of the nation's leading credit rating agencies has cited the likelihood of a Twin River bankruptcy. State General Treasurer Frank Caprio has publicly discussed the potential upside of a state takeover.

With the state counting on $246.8 million in video-slot revenue this year, House Speaker William J. Murphy has said lawmakers are at a point where they need to consider every option except a reduction in the state's share of the revenue. The state currently gets close to 60 cents of every dollar a slot player leaves behind.

Another deadline passed this week for the Lincoln track-and-slot parlor to make peace with the unpaid contractors — Dimeo Construction, among them — who went to court in an effort to get paid for their work on the Twin River renovations.

At this point, Doyle said, Twin River is also "working to extend the consent order with contractors."

Looking at the potential for a Twin River bankruptcy, a Christiansen Capital Advisors' publication said: "Twin River is facing crushing pressure at the beginning of a down business cycle. Future demand is impossible to accurately forecast and pricing models for financing any substantial amount of debt is equally difficult to predict. It is therefore very difficult to forecast accurately the point where the lines of future revenue and refinancing opportunities and costs will cross."

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