

Bahamas Atlantis resort in trouble

BY AL EDWARDS

THE Atlantis Resort based on the Bahamas' Paradise Island, which is crippled by debt, is unable to find a white knight to ride to its rescue at this point in time.

The Caribbean-based resort is owned and operated by South African casino big-shot owner Sol Kerzner's Kerzner International Holdings.

Kerzner ran into difficulties forcing it to take out a US\$2.3-billion loan with the Paradise Island resort serving as collateral. This loan was provided by a consortium of seven lenders, one of which is Brookfield Asset Management. Brookfield indicated that it was willing to manage Kerzner's interest in the properties thus transferring ownership to the asset management company.

Two of the seven lenders are owed US\$112 million out of the US\$2.3 billion initially owed and went to court in Delaware arguing that Brookfield was obtaining an unfair advantage over them. Brookfield in turn put in a late application to the Government of the Bahamas confident that its deal to acquire Atlantis would be greenlighted. But that wasn't the case and now it has closed the door on its offer to exchange US\$175 million of debt for Atlantis' operations. The deal hinged on a four-year agreement to manage Atlantis and a 15 year agreement to manage Ocean Club. This now means that the future of Atlantis is highly uncertain.

A US judge issued a temporary restraining order on the deal thus putting a spanner in the works and sending the Canadian outfit Brookfield running to the hills.

Compounding matters further is a supposed valuation of the Bahamian assets which indicates that if they were sold in today's market they would only bring in US\$2.31 billion, an amount just short of the US\$2.5 billion owed to all the lenders who incidentally are holders of Kerzner's mortgage-backed securities. With so many lenders feeding on this substantial carcass, it is a case of priority and the requisite pecking order. With Brookfield somewhere down the line it stands to lose its US\$175 million, thus forcing it to go the debt-for-equity route. With Kerzner unable to service its loan, Atlantis is in real trouble.

Speakin on this matter The Bahamas' Prime Minister Hubert Ingraham is reported to have said: "We do not know precisely what these seven lenders are going to agree. At the moment, the property is still owned by Kerzner, Kerzner is still managing the property, there has been no change, no jobs lost. Atlantis is having a far better season now than it had last year, its bookings going forward are very good for the year. There is no need for any concern at the moment. The lenders themselves would like to collect their money. In order for them to collect their money, it is important for Kerzner's property on Paradise Island to be successful — it is not in the lenders' interest for it not to be successful because otherwise they would not get their money back."