

## PokerStars seeks court order to buy AC casino

Written by Administrator  
Monday, 06 May 2013 21:00 -

---

ATLANTIC CITY, N.J. (AP) -- The behind-the-scenes battle between an Internet poker giant and the struggling Atlantic City casino it wants to buy burst into the open Monday, with a court order, accusations of bad faith, and the revelation of an eye-poppingly low sale price.

The Rational Group, which owns PokerStars, went to court in New Jersey on Monday and got a temporary restraining order barring The Atlantic Club from selling itself to anyone else. Last week, The Atlantic Club declared that the deal for PokerStars to buy the casino was dead, but has declined to comment further.

In its court papers, PokerStars also revealed for the first time just how cheaply it plans to acquire the casino: \$15 million. That is \$5 million less than the previous low price that a California company had offered for Trump Plaza before that deal fell apart last month, and would be "by far" the lowest price ever paid for a casino in Atlantic City.

In applying for the restraining order, PokerStars argued that it has given The Atlantic Club \$11 million of the \$15 million purchase price. But in return, PokerStars claims, The Atlantic Club wants to kill the deal and receive an additional \$4 million as a termination fee.

"Should Rational comply with this demand, Rational would have paid the entire purchase price and received exactly nothing in return," the company wrote in its court papers.

They also said The Atlantic Club demanded an additional \$6 million to extend the sale contract for another 10 days "during which they would still be free to seek a better offer from someone else. Rational said it offered to pay the remaining \$4 million in return for extending the sale contract until approval could be obtained from New Jersey casino regulators, but that The Atlantic Club's owners, Los Angeles-based Colony Capital LLC, declined.

Rational also says it paid more than \$224,000 to start work on a poker club inside the casino, and on upgrades elsewhere within it.

## **PokerStars seeks court order to buy AC casino**

Written by Administrator  
Monday, 06 May 2013 21:00 -

---

In February, New Jersey legalized Internet gambling.

"It is likely that the defendants believe that in light of this development they can now sell The Atlantic Club to another buyer while keeping the \$11 million paid to them by Rational, which made it possible for The Atlantic Club to continue operating throughout the tough winter season, The Rational Group wrote in its court papers.

Officials from The Atlantic Club and Colony Capital declined comment Monday.

"The Rational Group has funded Atlantic Club shortfalls throughout the winter season since October 2012, preventing its bankruptcy and the loss of over 1,800 jobs," said Eric Hollreiser, a spokesman for PokerStars. "The Rational Group remains entirely committed to resolving this situation, and to its investment in New Jersey, while it continues to diligently work on completing the required licensing process."

The transaction had been seen as mutually beneficial because the casino has struggled for years near the bottom of Atlantic City's 12 casinos in terms of revenue and profitability. And the deal would give PokerStars a much-sought-after on-ramp to the lucrative online gambling market expected to develop in New Jersey, one of three states with legalized Internet gambling, along with Nevada and Delaware.

New Jersey casino regulators have been examining the Rational Group's application to buy a casino, but no decision was imminent.

The parties' deal to finalize a purchase of the casino by April 26 did not take into account how long it might take to assemble and submit the many documents and exhibits necessary to win approval from the Casino Control Commission, which was considered to still be months away from an examination of whether the Rational Group would qualify for a casino license in New Jersey.

An important part of what they would eventually have to consider is the company's history of taking bets in the U.S. before it was explicitly legal. It was one of three companies targeted by

## PokerStars seeks court order to buy AC casino

Written by Administrator  
Monday, 06 May 2013 21:00 -

---

the U.S. Justice Department in 2011 in a crackdown on then-illegal Internet gambling that came to be known in the poker community as "Black Friday."

The Rational Group agreed last year to pay \$547 million to the Justice Department and \$184 million to poker players overseas to settle a case alleging money laundering, bank fraud and illegal gambling. It admitted no wrongdoing, and says it is in good standing with governments around the world.

That situation was expected to pose a difficult hurdle to the company's efforts to win licensing from New Jersey casino regulators, and the trade association representing the nation's brick and mortar casinos strongly opposes the deal. The American Gaming Association applied to intervene in PokerStars' licensing hearing, wanting to argue against the proposed purchase.

Rational said in its court papers that The Atlantic Club's owners approached them about a sale, stressing the casino's "difficult financial situation" and "huge liabilities including more than \$30 million in unfunded pension liabilities." The company said that the Atlantic Club repeatedly stressed that if a deal could not be reached quickly, the casino would declare bankruptcy, jeopardizing 1,800 jobs.

Rational agreed to finance the casino's losses while the application process was under way "up to \$750,000 per week" to be counted against the eventual purchase price.

The Atlantic Club has struggled against newer, larger casinos both in Atlantic City and in neighboring states, and nearly closed several years ago. Recently, its decision to adopt a value-priced strategy with inexpensive food and drinks, free parking and low-roller casino tables, with gambling chips as low as 25 cents, has shown some success.

But The Rational Group claims that is only because it was subsidizing the casino's losses.

## **PokerStars seeks court order to buy AC casino**

Written by Administrator  
Monday, 06 May 2013 21:00 -

---

Wayne Parry can be reached at <http://twitter.com/WayneParryAC>

**Read more** <http://news.yahoo.com/pokerstars-seeks-court-order-buy-183713651.html>