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FONTAINEBLEAU LAS VEGAS: Developer sues lenders

\$3 billion lawsuit alleges pledge to provide \$800 million has been broken

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LAS VEGAS REVIEW-JOURNAL

Another Strip project could be in jeopardy, this time because lenders are refusing to provide \$800 million in prearranged funding to complete Fontainebleau Las Vegas.

The Fontainebleau late Thursday filed a \$3 billion lawsuit against a group of lenders, claiming the banks were reneging on the loan agreements. Fontainebleau Resorts, which owns the Las Vegas project and is controlled by Miami-based developer Jeffery Soffer, admitted in the statement that the banks' actions could jeopardize completion of the project.

"We are not asking for anything special, merely that the revolver banks fulfill the commitment they made to fund this project," Soffer said. "We need them to live up to their promises so that we can complete a landmark project that will help revitalize tourist visitation to Las Vegas."

Fontainebleau Las Vegas said in a statement that construction will continue and the company is doing everything it can to ensure the project, which now employs more than 3,000 construction workers, opens on schedule in October.

However, in its lawsuit, Fontainebleau claimed the "purported termination is nothing more than the banks' baseless attempt to walk away from the project and abandon their obligations."

Fontainebleau also notes that many of the banks that are now refusing to provide funding for the project received billions of dollars in federal bailout money that was specifically intended to be used to boost credit for businesses.

That point wasn't lost on Senate Majority Leader Harry Reid, either.

In a statement Thursday evening, Reid said, "It is wrong, plain and simple" for the banks to pull out of their commitment on the project after taking bailout money.

"One of the issues I have been working on hardest is freeing the flow of credit for job-creating projects like this one," Reid's statement said. "When banks, especially ones that have received taxpayer dollars, make a commitment to finance a worthy project with thousands of existing jobs on the line, they have an obligation to keep that promise. I hope this can be resolved quickly because thousands of families are counting on it and so is Nevada's economy."

The project currently has 3,300 construction workers with an additional 1,700 still to be hired to finish the project. Approximately 6,000 full-time jobs are expected to be filled when the resort opens.

Fontainebleau's complaint, filed in Clark County District Court, claims that the lenders notified developers of the \$3.1 billion mixed-use project on Monday that they were terminating the agreed-upon financial commitment because of an unspecified event of default.

Fontainebleau, however, denies there has been any default.

The filing names Bank of America, JPMorgan Chase, Merrill Lynch Capital Corp., Barclays Bank, Deutsche Bank, The Royal Bank of Scotland, Sumitomo Mitsui Banking Corporation New York, Bank of Scotland, HSH Nordbank and other lenders.

Bank of America declined to comment because it had not seen the lawsuit Thursday evening.

Other financial institutions could not be reached late Thursday.

The lawsuit points out that Bank of America received \$52.5 billion in government assistance, and JPMorgan Chase received \$25 billion

The lenders have already provided \$1 billion in funding for the Fontainebleau project.

Company officials said in December that the resort is scheduled to open in October with 3,815 rooms, 1,018 of which were scheduled to be condominium-hotel units. Although a preview center opened in December, no units have been publicly marketed for sale.

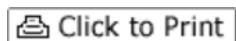
Fontainebleau Resorts planned to raise \$700 million to \$900 million through condominium presales, but the condo-hotel market has struggled in recent months.

The \$800 million loan is in addition to more than \$2 billion in debt and equity that Fontainebleau Las Vegas has already borrowed, according to a company statement.

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