

Turtle Bay debt drops after Starwood ends acquisition talk

New York, July 13 (LCD) - **Turtle Bay Resort** first-lien term debt has rebounded after a sharp drop caused by news that Starwood Hotels and Resorts abandoned efforts to buy the Hawaiian luxury resort, sources said. Turtle Bay second-lien debt remains far below pre-announcement levels, however.

The company's first-lien loan plummeted to an 85 bid after the announcement, via a private lender call on Wednesday, from near par, but has since gained to 98.5/100.5, sources said. Some of the paper traded in the low 90s. The recovery was due to speculation that the loans could be repaid through a land sale. The company's second-lien fell to 65/70 from 92/96, but has since advanced to 72/75.

Lenders granted the company an extension until the end of July, from the end of June, to meet an interest payment, as the owner tried to sell the resort to avert a liquidity crisis. Management told investors in May that cash was insufficient to meet the payment.

The term debt softened, with the second-lien loan approaching 90, after lenders learned that the company faces a tight deadline to find a potential buyer. News that hotel operator Starwood Hotels & Resorts was carrying out due diligence on a possible purchase of Turtle Bay helped the debt recover from lows.

The company needs to refinance its \$275 million first-lien loan, which is priced at L+275, and its \$125 million second-lien, which is priced at L+650, sources said. Turtle Bay has struggled with lawsuits and controversy about environmental impact and potential unwanted effects of a planned expansion of the resort. Critics argue that an expansion would increase vehicle traffic and could hurt delicate wildlife in the area. Credit Suisse completed a dividend recapitalization of the credit in 2005.

Turtle Bay, owned by Oaktree Capital Management, is a luxury resort set on 880 acres on Oahu's North Shore, including five acres of shoreline. The property includes a 400-room hotel, suites, and beach cottages, with golf courses designed by Arnold Palmer and George Fazio. – *Abby Latour*

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