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## Possible closure at Ilikai hotel averted

*By Andrew Gomes  
Advertiser Staff Writer*

A clash over running hotel operations at the Ilikai that threatened to close parts of the iconic Waikiki property was resolved yesterday with the replacement of a court-appointed receiver overseeing the business in foreclosure.

Circuit Judge Karen Blondin approved replacing receiver Joseph Toy, a hotel industry analyst, with local attorney George Van Buren, who also will replace Toy as commissioner for auctioning the property for a lender foreclosing against parts of the Ilikai owned by developer Brian Anderson.

Lender iStar Financial filed a motion in court last week to replace Toy with Van Buren, after iStar and Toy clashed over whether iStar would continue funding losses of Anderson's Ilikai operations.

The problem involved a Jan. 9 letter iStar sent to Toy saying the hotel has operated at a loss of more than \$300,000 a month since at least October, and that iStar would stop covering operating losses as of Feb. 8. Toy responded by filing a motion with Blondin asking the judge to either order iStar to ensure there would be sufficient cash to operate the hotel or allow Toy to shut the business down.

A closure would have included the Ilikai's front desk, housekeeping, some parking, engineering services and 203 rooms owned by Anderson. Also, 125 hotel employees would have lost their jobs, and hotel management services for numerous owners of condominium units in the roughly 1,000-unit tower would have been cut off.

In conjunction with Toy's replacement, his motion over funding or closing the hotel was withdrawn. As receiver, Toy oversaw Anderson's day-to-day management of the hotel to protect the asset for iStar. Toy was appointed Oct. 29 after being nominated by iStar and Anderson.

Lender iStar never publicly explained what it sought to achieve by refusing to fund hotel operations. Shutting down the hotel would reduce the property's value at foreclosure auction.

Toy said iStar has complained about his receivership fees. Gary Dubin, Anderson's attorney, also has complained about Toy's fees totaling close to \$800,000 since being appointed.

Dubin could not be reached for comment yesterday. Toy said his fees included hiring accountants to help create or piece together financial records he maintains were poorly maintained by Anderson. Legal fees associated with the complex case also added to the expense.

"We never anticipated our fees would be that high," Toy said. "But we also never anticipated how complex the issues would be on the finance side and the legal side."

Judge Blondin will decide what Toy will be paid for his role.

In an e-mail from iStar attorney Stephen Mau to Toy attorney Andrew Beaman entered into the court record, Mau said iStar didn't seek a substitute receiver to shut the hotel down, but intends to keep the hotel operating.

Beaman in an interview also said Judge Blondin has worked hard to ensure that hotel operations

continue.

The most recent filing by Toy concerning the hotel's finances projects the hotel should have enough revenue to pay its bills only until next week.

An earlier forecast by Toy anticipating the hotel would run short of cash last week proved incorrect, though he noted in the forecast that poor financial statements made forecasting difficult.

Anderson's management company running the hotel, in a court filing, projects ending March with a \$31,524 deficit if it reduces salaries and management fees, and defers paying receiver fees, real property taxes, Ilikai association dues, some marketing fees and other expenses.

Anderson is projecting a cash shortage of \$474,571 at the end of July, assuming occupancy rises to 80 percent in July from 55 percent in March.

"Even though the projected operating results are not positive, an ongoing business has much more appeal to a potential buyer," Peter Herndon, an executive with Anderson's management team, stated in the court filing.

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