



TheSunNews.com

Wednesday, Dec 30, 2009

Posted on Wed, Dec. 30, 2009

SunCruz' Casino owner files Chapter 7 bankruptcy

By Adva Saldinger
asaldinger@thesunnews.com

The parent company of SunCruz Casinos, which operated a casino boat from Little River, has filed for Chapter 7 bankruptcy, leaving in question whether a second casino boat will ever return to the area.

When SunCruz abruptly stopped sailing Dec. 15, it left a large amount of debt in its wake. Another boat, the Big "M" still sails from Little River.

SunCruz' parent, Oceans Casino Cruises, believes it will have no money for unsecured creditors after certain expenses are paid and certain properties are deemed off limits to creditors, according to the court documents. Meanwhile, a group of those creditors has come together to recover money they are owed and say they want an investigation into the company's action.

While the fate of the SunCruz company is up in the air, some believe that another casino boat eventually will sail from Little River, despite tough economic conditions.

"The casino boats are a popular attraction for a defined segment of our visitors who seek the gambling experience, but this recession has caused many travelers to cut back on discretionary expenditures, and that impacts every attraction, including the casino boats," said Brad Dean, the president and CEO of the Myrtle Beach Area Chamber of Commerce. "With 14 million-plus annual visitors, there's certainly room for more than one boat, but this economic environment is extremely competitive for every business," he said.

One gambling consultant said land-based gambling has been eating away at casino boat businesses, especially in Florida, but that the Myrtle Beach area is not affected.

The SunCruz VIII, which sailed twice daily Tuesday through Sunday, is now in Port Canaveral, Fla., where SunCruz operated another casino ship before closing. Several people have expressed interest in renting the space that SunCruz leased at BW's Marina in Little River, which leased the dock and building to SunCruz for another casino boat, said Cindy Steranko, a dock master.

Nevada Gold & Casinos Inc., which has operated the SunCruz casino ships since last year, said on Dec. 18 that it is in discussions to purchase some assets from Oceans Casinos Cruises.

"As of now I don't really know anything, but I don't see [SunCruz] coming back because they have not signed a lease with us," Steranko said.

Steranko said what happens with the dock and building depends on what the owner of the company decides. SunCruz did pay the rent through the end of December, she said.

Other businesses and individuals are waiting on money they are owed by SunCruz.

According to the bankruptcy filing, the company owes several hundred companies and individuals money, totaling between \$50 million and \$100 million.

Last week about 20 of the largest creditors formed an ad hoc committee to try to obtain payment.

In addition to outstanding debt, the company also failed to pay for insurance premiums for employee health policies that had been deducted from employee paychecks.

Some employees lost their COBRA rights as a result and are now uninsured, according to a statement released by the committee.

Fortress Investment Group, which was Ocean Casinos lender, took control of the company in November 2008 and there are questions about motivations of the bankruptcy, said Jonathan Stein, an attorney representing the group.

"It's highly, highly unusual in the gaming industry to leave unpaid gambling debts, and that seems to have occurred here," he said.

"There is also a great deal of questions whether a withdrawal of \$1.6 million in cage cash, used to pay gambling debts, was lawful or not."

He said the committee is pursuing an investigation into whether there was any illegal activity.

The bankruptcy filing appears to be intended to benefit Fortress at the expense of other creditors, the committee said in the statement.

Attempts to reach Ocean Casinos for comment were unsuccessful.

In recent years changes in Florida gaming rules, which have allowed American Indian tribes to provide land-based gambling, has eaten into the casino boat market, said Eric Rahn, a gaming consultant who has more than 25 years of experience in the maritime gambling industry.

SunCruz, a Florida-based company, likely saw a decline as the result of those changes, but the Myrtle Beach operation was profitable, he said.

"I think there is enough demand in the area, I believe the market has been established," Rahn said.

"Unless South Carolina and North Carolina change their gaming laws there'll continue to be a need to provide this type of adult entertainment."

The general state of the economy also has had an impact on the industry, but he said he expects it will continue to prosper in certain markets, including along the Grand Strand, as long as a healthy business can come in to operate another ship.

"Over the years it's been proven two ships could survive up there," he said.

The remaining casino boat sailing out of Little River, the Big "M," has seen business pick up since SunCruz started sailing, said Jo Mull, the marketing coordinator for the company.

"People came over [but] we do everything so differently they're finding it hard to get used to us," she said.

Chris Sager, who played poker aboard the SunCruz ship several nights a week, said the Big "M" doesn't offer live poker or sports betting, his two main activities aboard SunCruz.

He was upset to find out that SunCruz had shut down when he went to pick up past winnings, he said.

"They owed several people money and they don't say nothing or go out on a cruise one more time," Sager said.

Business had slowed on the SunCruz ship for the last few weeks it was operating, he said.

The Big "M" didn't see a big dip in passengers during that same period and doesn't plan to make any changes in the number of trips, types of gambling it offers or its marketing.

Little River can sustain two casino boats and "there is definitely enough room for two of us," Mull said.

Horry County, which collects a \$7 per passenger fee from the casino boats will lose some money with SunCruz gone, but for the time being the uptick in passengers going on the Big "M" may help lighten the blow, said Harold Worley, the Horry County councilman who represents Little River. SunCruz also owes the county more than \$100,000 for October fees and an unknown amount for November.

"The bankruptcy filing is obviously going to affect the waterfront but at some point in time I think you are going to have a boat replace that boat," Worley said.

In addition to pressures that the overall economic downturn and fewer tourists have put on the boats, North Carolina is allowing a form of video poker at Internet cafes, he said.

"That's draining off a few customers that would go," Worley said. "Between those two issues it's creating havoc with the casino boats."

Contact ADVA SALDINGER at 626-0317.

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