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Business

Posted on Wed, Jan. 14, 2004

GAMING

Taking a \$32M gamble

An investor group offers \$32 million for the assets of SunCruz Casinos and says it hopes to double the floating gambling empire's size within a year.

BY PATRICK DANNER
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Two former SunCruz Casinos executives and other investors have agreed to buy most of the assets of the Dania Beach company, which has been in bankruptcy since 2001.

The group's companies, Ocean Casino Cruises and Vessel Casinos, will pay \$32 million in cash and assumed liabilities. The offer is a stalking-horse bid, which sets the bar for any competing proposals.

If the bankruptcy court approves the bidding procedures, an auction could be held next month. Any competing bidder, however, will have to offer at least \$2 million more than the bid submitted by Ocean and Vessel.

"We are aware there have been other potential buyers out there," said William Fisher, a Milwaukee lawyer who is the group's general counsel. "But I think it's going to be difficult to beat [our] offer."

The group is entitled to a \$1 million fee if it's outbid.

Fisher said the group included six or seven individual investors and an institutional investor. He declined to name the institution but said it would provide most of the financing for the deal.

SunCruz's operations would be overseen by Spiros Naos and Greg Karan, who helped run the business with founder Gus Boulis, who was murdered in 2001, Fisher said.

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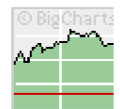
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Michael Hlavsa, SunCruz's chief executive, declined to comment on the potential deal.

The group has plans to double SunCruz's operations, Fisher said, within the first year of operation. SunCruz currently operates six cruise ships offering gambling excursions out of such locations as Hollywood, Port Canaveral, Jacksonville and Little River, S.C., he said.

Jeffrey H. Beck, the court-appointed trustee in SunCruz's bankruptcy, said he was confident that the bidder has the ability to close the deal. At the same time, he was hopeful that a higher offer would be emerge at auction.

"There was a lot of competition to be the stalking horse," added Matt Sodl, a Los Angeles investment banker who has been working with Beck.

Another investor in Fisher's group is Frank Crivello, who is listed in state records as a manager of the Pompano Beach-based W-C Vessels. The company leases the Surfside Princess -- which Fisher described as the largest U.S.-flagged gaming vessel -- to SunCruz at Port Canaveral.

Just how much is owed SunCruz's creditors is difficult to gauge, but Beck estimated it could be as much as \$130 million. Creditors include two secured lenders and Boulis' estate. Unsecured creditors, owed as much as \$10 million, will be entitled to something, Beck said.

Boulis sold SunCruz to a group led by Adam Kidan, one-time owner of the Dial-A-Mattress franchises, for \$147.5 million in September 2000. Problems quickly developed, and the company sought bankruptcy protection in June 2001.

Herald business writer Dale K. Dupont contributed to this report.



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