

Ocean Casino's hedge-fund owners approved by state gaming regulators

DAVID DANZIS Staff Writer

ATLANTIC CITY — State gaming regulators advanced a New York-based hedge fund's controlling interest of Ocean Casino Resort and approved a veteran of the resort's industry as trustee.

Luxor Capital Group was granted interim casino authorization Wednesday by the state Casino Control Commission following a lengthy public hearing. The authorization was granted with several financial conditions, as recommended by the state Division of Gaming Enforcement, to ensure the casino hotel's stability.

The interim authorization allows for temporary control of the casino after an initial investigation by the state Division of Gaming Enforcement and approval by the commission.

This sets the stage for a more comprehensive review before the hedge fund can be determined to be qualified to hold a casino license.

Ocean, which opened along with Hard Rock Hotel & Casino Atlantic City on June 27, 2018, struggled to gain a foothold in the market through its first several months of operations.

According to testimony from a public hearing earlier this year, the casino had lost nearly \$23 million in seven months and failed to satisfy prior financial conditions imposed by state gaming regulators.

Luxor, one of two primary financiers to the late Bruce Deifik for the casino's purchase in early 2018, assumed control of Ocean in February through a trust agreement.

"We are excited to be of a part of Atlantic City's future and Ocean Casino Resort's continued success," said Mike Conboy, Luxor partner and director of research. "We look forward to working with the employees and management team."

The hedge fund invested nearly \$70 million into Ocean — nearly \$50 million of which was used to pay down debt owed to the second primary lender, J.P. Morgan — since then and gaming revenues have started to increase.

Through the first six months of 2019, Ocean has reported more than \$102 million in total gaming revenue, including \$21.49 million in June.

Monthly total gaming revenue, slot revenue and hotel occupancy figures were all the highest in the property's history in June, resulting in continued profitability, said Mike Donovan, chief marketing officer and senior vice president at Ocean.

James Plousis, chairman of the Casino Control Commission, in explaining his support for the authorization, said that while Ocean's "financial condition has indeed improved, it remains critical that the regulatory authorities continue to monitor its ongoing financial stability through the ICA process at a minimum."

“We are all acutely aware of this property’s past struggles — in fact, there were real questions as to whether this asset would ever be operational again,” Plousis said of the property once known as Revel Casino Hotel. “Acknowledging that it was not its original intention, I, for one, am pleased that Luxor has taken an ‘all in’ approach to its investment in (Ocean). ... By all accounts, it appears that (Ocean) is competitive and positioned to generate positive cash flow.”

The commission also approved Gary Van Hettinga as trustee of the ICA while a permanent chief executive of Ocean is sought and final qualification of the hedge-fund group is being investigated.

Van Hettinga, of Egg Harbor Township, served as president and CEO of Resorts Casino Hotel for nearly two years.

Previously, Van Hettinga was a senior executive for Caesars World and Tropicana Atlantic City in addition to serving as chief financial officer for the Mohegan Sun casino in Connecticut.