

Former Queen Mary Operator Calls Lawsuit 'Vindictive'

■ By **ALEXIA TERZOPOULOS**
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Former Queen Mary operator Joseph Prevratil, who was sued earlier this month for allegedly misusing company money and buying a condominium with company assets before filing for bankruptcy, has dismissed the charges as “vindictive,” saying the city is going after him in an attempt to recover money owed by the company’s bankruptcy estate.

“[City Attorney Robert Shannon] is trying to make me look like a bad guy, . . . [but] it was my own company. It’s not as though I was a city employee,” says Prevratil, who has not yet reviewed the lawsuit documents. “That’s just simply pretty vindictive.”

At the urging of the City of Long Beach, bankruptcy trustee Howard Ehrenberg filed the complaint against Prevratil in the U.S. Bankruptcy Court on February 7, claiming the former CEO diverted approximately \$1.5 million from Queen’s Seaport Development Inc. (QSDI) to himself, his management company Leisure Horizons and former QSDI Chief Financial Officer Howard Bell. The suit also indicates that Prevratil and Bell jointly own a condo in Hawaii that was paid for with QSDI assets and is now valued at approximately \$1 million.

Citing roughly 50 transfers made between 2001 and 2004 – QSDI declared bankruptcy in 2005 – Ehrenberg seeks to recover the value of the diverted funds, as well as of the property in Hawaii. The alleged money mishandling was exposed when the city conducted an audit of QSDI’s books and records after Save The Queen acquired the Queen Mary’s master lease last fall.

Prevratil, who retired last year, had operated the Queen Mary and leased approximately 50 acres of surrounding land from the city since 1993. He says the transactions in question were reimbursements for loans that Leisure Horizons had granted to QSDI.

“The Queen Mary is a cyclical business – it’s big on the weekends, and sometimes during the weekdays it’s tough, particularly during the winter,” he contends. “If the Queen Mary ran short – normally a business has a revolving line of credit, but we did not – I would loan a hundred here, a hundred there . . . and then when the cash flow was better, they would pay me back. . . . In no way did I benefit to any degree.”

He adds that the condo was part of a bonus awarded to himself and Bell, and that the \$112,000 down payment was settled well before QSDI began bankruptcy procedures. “Often in a private company, people will take some money out of the company to do certain things,” he says. “And at that time, in ’02, the company was still doing quite well.”

Principal Deputy City Attorney Charles Parkin explains that Ehrenberg agreed to file the lawsuit on the condition that the city would take over the issue in the bankruptcy court because the QSDI estate “did not have . . . the money to pursue this matter.” As a result, the two parties also filed a motion to allow the city to litigate the claims on behalf of the estate.

“Any recoveries that the city obtains from this lawsuit – after the reimbursement of the city’s expenses – would be shared between the city and the estate,” Parkin explains, noting that the actual amount recovered could change as the investigation continues.

He adds that while the QSDI bankruptcy estate has already paid the city about \$8.6 million, another \$4.1 million with at least \$500,000 in interest is still owed because the sale of the historic ship did not generate sufficient revenue. “That settlement amount was approved by the court, so there’s no arguing whether the city is entitled to that money,” he says. “Should the estate have that much money, the city is going to get paid.”

Meanwhile, some have questioned just how much money Long Beach will pay to pursue the lawsuit – a figure that the city has yet to determine. ■