



City of Long Beach

Working Together to Serve

Office of the City Attorney / Office of the City Auditor

DATE: October 3, 2023

To: Honorable Mayor and Members of the City Council

FROM: Dawn McIntosh, City Attorney *DAM*

SUBJECT: Queen Mary -- Urban Commons Queensway Bankruptcy Proceedings

As you know, the previous operator of the Queen Mary, Urban Commons Queensway, LLC ("Urban Commons"), along with over a dozen affiliated entities, filed for bankruptcy protection in January of 2021. Shortly thereafter Urban Commons tendered possession of the ship back to the City, and all existing contracts between the City and Urban Commons were rejected by the bankruptcy trustee and subsequently terminated by the bankruptcy court.

In addition to filing standard administrative claims generally seeking recovery of amounts owing by Urban Commons to the City, the City Attorney's Office also filed an adversarial proceeding against Urban Commons in order to, among other things, compel production of financial documents necessary for an investigation into expenditures of bond proceeds on capital improvements to the ship made by Urban Commons prior to the bankruptcy.

A review of the financial documents found that a significant majority of dollar amounts paid by the City to Urban Commons matched the dollar amounts noted on the invoices submitted by Urban Commons for expenditures of bond proceeds.

It is important to note that the review was narrow in scope and was limited to tracing the flow of funds from the City to Urban Commons and its subcontractors. The review does not absolve Urban Commons and/or its principals of possible wrongdoing in connection with their operation of the Queen Mary. The review of the financial documents, together with the extremely limited pool of funds available to pay creditors in the bankruptcy estate, make it clear that it is no longer worthwhile to pursue the adversarial action against Urban Commons.

As a result, the City and the trustee agreed to (1) dismiss the ongoing adversarial proceeding, (2) establish the administrative claim at approximately \$200,000 (which such amount is very unlikely to be recovered by the City due to limited funds in the estate), and (3) assign an existing licensing agreement regarding use of the ship's name and likeness to the City for future administration.

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The City and trustee submitted the settlement stipulation to the bankruptcy court and received approval last week. At this time the City is no longer actively engaged in the Urban Commons bankruptcy proceeding.

Please do not hesitate to contact our office should you have any questions or wish to discuss further.

cc: Laura Doud, City Auditor
Alvin Chu, Deputy City Manager
Tom Modica, City Manager

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