

Lakes Entertainment Announces Results for Third Quarter 2010 - MarketWatch (press release)

Written by Administrator

Wednesday, 10 November 2010 05:36 -

MINNEAPOLIS, Nov 10, 2010 (BUSINESS WIRE) -- Lakes Entertainment, Inc.

/quotes/comstock/15*!laco/quotes/nls/laco ([LACO](#) 2.26, +0.01, +0.44%)

today announced results for the three months and nine months ended October 3, 2010.

Third Quarter Results

Net earnings for the third quarter of 2010 were \$15.1 million, compared to \$2.3 million in the third quarter of 2009. Earnings from operations were \$2.2 million for the third quarter of 2010, compared to \$0.7 million for the third quarter of 2009. Basic and diluted earnings were \$0.57 per share for the third quarter of 2010 compared to \$0.09 per share for the third quarter of 2009.

Lakes Entertainment reported third quarter 2010 revenues of \$8.2 million, compared to prior-year third quarter revenues of \$6.6 million. This improvement was primarily related to an increase in management fees earned from the Four Winds Casino Resort during the third quarter of 2010 compared to the prior year period, partially offset by the elimination of management fees from the Cimarron Casino project, due to the termination of that agreement in May 2010.

For the third quarter of 2010, Lakes' selling, general and administrative expenses were \$2.9 million compared to \$3.5 million in the third quarter of 2009. Selling, general and administrative expenses consisted primarily of payroll and related expenses, travel expenses and professional fees. The decrease in selling, general and administrative expenses during the third quarter of 2010, compared to the third quarter of 2009, resulted primarily from a decrease in professional fees.

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Net unrealized gains on notes receivable relate to the Company's notes receivable from Indian tribes for casino projects that are not yet open, which are adjusted to estimated fair value based upon the current status of the related tribal casino projects and evolving market conditions. In the third quarter of 2010, net unrealized gains on notes receivable were \$0.5 million, compared to net unrealized gains of \$0.9 million in the prior year period. The net unrealized gains in the third quarter of 2010 consisted of gains related to the Jamul Indian Village ("Jamul Tribe") near San Diego, California due primarily to improvements in the credit markets. The net unrealized gains in the third quarter of 2009 were related to the project with the Jamul Tribe and the Iowa Tribe of Oklahoma ("Iowa Tribe") due primarily to improvements in the credit markets during that quarter.

Lakes recognized impairment losses of \$0.6 million during the third quarter of 2010 and the third quarter of 2009 related primarily to continued uncertainty surrounding the completion of the Jamul project.

Amortization of intangible assets related to the operating casinos was \$2.8 million for the third quarter of 2010 compared to \$2.6 million for the third quarter of 2009.

Other income (expense), net for the third quarter of 2010 was \$23.8 million compared to \$1.1 million for the third quarter of 2009. During the third quarter of 2010, we entered into a termination agreement with Penn Ventures, LLC ("Penn") and received \$25 million in exchange for our prior interest in two potential casinos in Ohio. As result, other income (expense), net for the third quarter of 2010 includes a gain of \$23.1 million related to this agreement.

The income tax provision for the third quarter of 2010 was \$11.0 million compared to a benefit of \$0.4 million for the third quarter of 2009.

Nine Month 2010 Results

Net earnings for the nine months ended October 3, 2010 was \$14.3 million, compared to net earnings of \$6.1 million for the nine months ended September 27, 2009. The loss from operations was \$1.3 million for the first nine months of 2010, compared to earnings from operations of \$2.2 million for the prior year period. Basic and diluted earnings were

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\$0.54 per share for the nine months ended October 3, 2010 compared to earnings per share of \$0.23 for the nine months ended September 27, 2009.

Lakes Entertainment reported revenues of \$19.9 million for the nine months ended October 3, 2010, compared to prior-year period revenues of \$21.0 million. This decrease was primarily due to a reduction in management fees earned from the Cimarron Casino project, due to the termination of that agreement in May 2010 as well as a slight decrease in management fees earned from the Red Hawk Casino. Partially offsetting this decline was an increase in management fees earned in 2010 from the Four Winds Casino Resort.

For the first nine months of 2010, Lakes' selling, general and administrative expenses were \$9.4 million compared to \$11.3 million for the first nine months of 2009. Selling, general and administrative expenses consisted primarily of payroll and related expenses, travel expenses and professional fees, all of which decreased compared to the prior year period.

For the nine months ended October 3, 2010, net unrealized gains on notes receivable were \$0.8 million, compared to \$3.2 million in the prior year period. The net unrealized gains in the current year period consisted primarily of gains related to the Iowa Tribe of \$0.9 million which resulted from the previously announced termination agreement with the Iowa Tribe in May 2010. Partially offsetting these gains were net losses related to the Jamul Tribe of \$0.1 million, due primarily to ongoing issues in the credit markets. The net unrealized gains in the prior year period were related to the project with the Jamul Tribe and the Iowa Tribe due primarily to improvements in the credit markets during that period.

Lakes recognized impairment losses of \$4.0 million and \$2.9 million, during the nine months ended October 3, 2010 and the nine months ended September 27, 2009, respectively. The current year losses related to the termination of the agreements with the Iowa Tribe as well as losses related to the continued uncertainty surrounding the completion of the Jamul project. The prior year period losses were due primarily to the continued uncertainty surrounding the completion of the Jamul project.

Amortization of intangible assets related to the operating casinos was \$8.4 million for the first nine months of 2010 compared to \$7.6 million for the first nine months of 2009.

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Other income (expense), net for the first nine months of 2010 was \$27.1 million compared to \$3.9 million for the first nine months of 2009. Included in other income (expense), net for the first nine months of 2010 is a gain of \$23.1 million, related to the Penn termination agreement, previously discussed.

The income tax provision for the nine months ended October 3, 2010 was \$11.5 million compared to a benefit of less than \$0.1 million for the nine months ended September 27, 2009.

Tim Cope, President and Chief Financial Officer of Lakes stated, "A significant portion of the increase in third quarter revenue related to our fees from the management of the Four Winds Casino Resort. We are pleased that this property continues to perform well in its market and exceeded our expectations this quarter. A slight increase in management fees from the Red Hawk Casino also contributed to the improvement in revenue. Our focus remains to operate each of these casinos as efficiently as possible to achieve strong operating results."

Further commenting, Lyle Berman, Chief Executive Officer of Lakes, stated, "During the third quarter we entered into a termination agreement with Penn and received \$25 million in exchange for our prior interest in two potential casinos in Ohio. We continue to have an investment in Rock Ohio Ventures, LLC and its proposed casino developments in Cincinnati and Cleveland. We look forward to making additional investments in these projects and continue to evaluate other projects which we believe will add value to our company."

About Lakes Entertainment

Lakes Entertainment, Inc. currently has development and management or financing agreements with three separate Tribes for casino operations in Michigan, and California, for a total of three separate casino sites. Lakes is currently managing the Four Winds Casino Resort for the Pokagon Band of Potawatomi Indians and the Red Hawk Casino for the Shingle Springs Band of Miwok Indians. Lakes is also involved in other business activities, including the development of new table games for licensing to Tribal and non-Tribal casinos.

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The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Certain information included in this press release (as well as information included in oral statements or other written statements made or to be made by Lakes Entertainment, Inc.) contains statements that are forward-looking, such as statements relating to plans for future expansion and other business development activities as well as other capital spending, financing sources and the effects of regulation (including gaming and tax regulation) and competition. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made by or on behalf of the company. These risks and uncertainties include, but are not limited to, need for potential future financing to meet Lakes' development needs; those relating to the inability to complete or possible delays in completion of Lakes' casino projects, including various regulatory approvals and numerous other conditions which must be satisfied before completion of these projects; possible termination or adverse modification of management or development contracts; Lakes operates in a highly competitive industry; possible changes in regulations; reliance on continued positive relationships with Indian tribes and repayment of amounts owed to Lakes by Indian tribes; possible need for future financing to meet Lakes' expansion goals; risks of entry into new businesses; and reliance on Lakes' management. For more information, review the company's filings with the Securities and Exchange Commission.

LAKES ENTERTAINMENT, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

October 3, 2010	(Unaudited)		January 3, 2010
----- Assets			
(In thousands)			
	Current assets:		
	\$ 46,905	\$ 3,751	
		Cash and cash equivalents	
3,960	1,457	Accounts receivable	
7,864	6,671	Current portion of notes receivable from Indian casino projects	
24,317	Other	Investment securities, including rights	-
		2,303	2,478
-----		----- Total current	
assets	61,032	38,674	
-----		----- Property and	
equipment, net	5,169	5,334	
-----		----- Long-term assets	
related to Indian casino projects: Notes receivable, net of current portion			
47,749	46,100	Notes receivable at fair value	10,141
13,254	Intangible assets	35,321	45,064
	5,951	6,137	Other
-----		----- Total long-term	
assets related to Indian casino projects	99,162	110,555	
-----		----- Other assets:	
Investment in unconsolidated investees		2,367	12,441
			Land

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held for development		5,069	4,900	Deferred taxes and
other	1,863	1,833		
-----				----- Total other assets
	9,299	19,174		
-----				----- Total assets
	\$ 174,662	\$ 173,737		
=====				
=====				
===== Liabilities and shareholders' equity Current liabilities:				
Line of credit payable		\$ -	\$ 16,346	Non-revolving
line of credit payable		-	2,000	Current portion of contract
acquisition costs payable	1,341	2,232		Income taxes payable
	26,463	17,069		Other
	2,221	2,454		
-----				-----
----- Total current liabilities		30,025	40,101	Long-term
contract acquisition costs payable, net of current portion		6,128	10,197	
-----				----- Total liabilities
	36,153	50,298		
-----				----- Total shareholders'
equity	138,509	123,439		
-----				----- Total liabilities and
shareholders' equity	\$ 174,662	\$ 173,737		
=====				

ENTERTAINMENT, INC. AND SUBSIDIARIES
 Consolidated Statements of Earnings
 months ended Nine months ended

LAKES
 Condensed
 Three

October 3, 2010 September 27, 2009 October 3, 2010 September 27, 2009

				(In thousands, except per share data) Revenues:			
				(Unaudited) Management fees			
\$ 8,155	\$ 6,602	\$ 19,876	\$ 20,916	License fees			
	17	15	52	43			

Total revenues		8,172	6,617	19,928			
20,959							

----- Costs and expenses: Selling, general and administrative				2,936			
3,508	9,425	11,317					
632	597	4,002	2,877	Amortization of intangible assets related to			
operating casinos	2,785	2,624	8,355	7,630	Depreciation		
	65	69	196	211			

Total costs and expenses		6,418	6,798	21,978			
22,035							

----- Net unrealized gains on notes receivable				450	904		
762	3,247						

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