

After three applicants seeking Louisiana's 15th and final riverboat casino license made presentations to state gaming regulators this week, analysts pegged Penn National Gaming as the early favorite.

The Gaming Control Board is expected to announce its choice in February, but Penn National's two-phase project for the New Orleans suburb of Harvey seemed to be well

received.

The gaming license up for grabs originally belonged to Las Vegas-based Pinnacle Entertainment, which returned it to Louisiana after the company cancelled plans to build a second casino in Lake Charles.

Two of the proposals would keep the casino in Lake Charles. Penn said it would spend \$145 million to build a casino with 1,500 slot machines and 44 table games outside New Orleans in the first phase of the project. A second phase, budgeted at \$155 million, would include a 250-room hotel and a parking garage.

Penn National officials offered to place \$75 million in escrow to show Louisiana its commitment and willingness to fund the project.

"From a funding perspective alone, it would appear that Penn would be the clear front runner for the license," Janney Montgomery Scott gaming analyst Brian McGill told investors. "With that said, we also believe that there is interest in the state for another casino in Lake Charles."

Macquarie Securities gaming analyst Chad Beynon agreed.

"In our view, Penn National stands as the top candidate based on their track record, comfortable balance sheet (of \$335 million cash in hand), and tenured management team," Beynon said.

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Two other presentations came from Creative Casinos LLC, which is headed by former Pinnacle Chief Executive Officer Dan Lee, and St. Gabriel Downs LLC.

Analysts dubbed Lee's project, the \$400 million Mojito Pointe, as the most ambitious. The project would compete directly with Pinnacle's flagship L'Auberge du Lac resort in Lake Charles, which Lee developed when he headed the company.

The proposal from St. Gabriel Downs calls for a Hard Rock Hotel & Casino with a \$167 million first phase.

Beynon speculated the Lake Charles could be over-saturated with gaming and the New Orleans-area could use another casino choice.

"We believe the government focused on where it can generate new tax dollars, versus simply moving the revenues from one place to another," Beynon said.

Pinnacle would face competition in either market where the license is awarded. The company also operates the Boomtown Casino in New Orleans.

McGill thought Pinnacle would rather see the license land in New Orleans.

"Pinnacle has dodged a new casino in the St. Louis market, and we think Texas is unlikely to pass gaming expansion next year in its legislative session," McGill said. "The major threat is likely to come from an additional license in Lake Charles."

Given the Louisiana's lengthy gaming approval process, which includes local referendum support, it could be 2013 for a casino to be operating in either market.

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