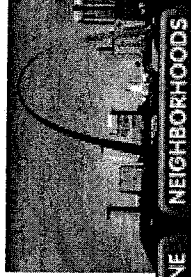




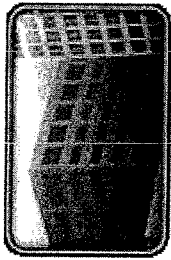
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[Monday, Feb. 16, 2004]

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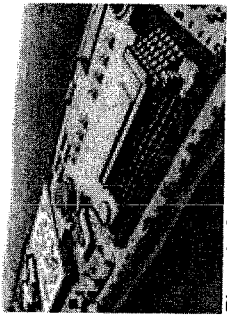


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Pinnacle tries to reach one with casino project

By Christopher Carey
Post-Dispatch

02/14/2004



Pinnacle Casino rendering

Pinnacle Entertainment Inc. is a company in a hurry.

The casino operator is pushing hard to increase revenue, upgrade its mix of properties and make a clean break with its past.

Pinnacle's plan to invest \$550 million in casino developments in downtown St. Louis and Lemay are a key part of that evolution, says Daniel R. Lee, chairman and chief executive.

Pinnacle's vision for the region - the nation's eighth-largest casino market - contributed to the success of its recent offering of 11.5 million additional shares and the accompanying rise in its stock price, Lee said.

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old National Lead Industries site in Lemay.

The committee chose the proposal over another by Isle of Capri Casinos Inc., which wanted to build a \$300 million development on land just south of the Jefferson Barracks Bridge.

Pinnacle, based in Las Vegas, also got the nod over Isle of Capri last month in the city's selection announcement.

Members of the panel were swayed by Pinnacle's desire to make its casino and hotel on Laclede's Landing a destination-style property, with a luxury hotel and spa.

Pinnacle's plans require approval by the Missouri Gaming Commission, whose economic analysts have concluded that the St. Louis area could support one and possibly two new casinos.

Target: 2006

If it gets the state's blessing relatively quickly, Pinnacle could open its casino on Laclede's Landing in the first half of 2006 and could complete its project in Lemay in late 2006 or early 2007, Lee said.

The company is building a \$325 million casino and resort in Lake Charles, La., that's scheduled to open in March 2005.

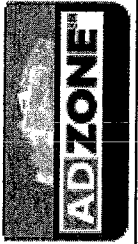
The project in Louisiana is the company's most luxurious, and it's intended to draw heavily from the Houston market, two hours to the west.

Pinnacle operates seven casinos in the United States and Argentina. But it isn't well-known to some casino regulars because none of its properties carries the company name.

Pinnacle is a melding of three companies: Hollywood Park Inc., Boomtown Inc. and Casino Magic Corp.

Pinnacle owns three Boomtown casinos: in Reno, Nev.; Bossier City, La.; and Harvey, La., outside New Orleans. It also owns the Belterra Casino Resort near Vevay, Ind.;

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the Casino Magic in Biloxi, Miss.; and two Casino Magic properties in Argentina. But as a result of asset shuffling in the late 1990s, another company - Penn National Gaming Inc. - operates the Boomtown-brand casino in Biloxi and the Casino Magic-brand property in Bay St. Louis, Miss.

Some of the land on which Pinnacle plans to build its St. Louis casino was purchased by Casino Magic in the early 1990s, when that company was hoping to win a license for one of the first riverboat casinos in Missouri.

Pinnacle had been looking to sell the property, across Interstate 70 from the Edward Jones Dome, until the city put out its call for casino proposals last fall.

Lee knows a few things about developing luxurious casinos. He previously was chief financial officer for Mirage Resorts Inc., which created the Bellagio in Las Vegas and the Beau Rivage in Biloxi. Also, he was an investor in the new Borgata in Atlantic City, N.J.

Scandal recovery

Lee was recruited for the chief executive's job at Pinnacle in 2002, when a scandal at Belterra was threatening to cost the company its license to operate in that state, a development that could have led other states to question its fitness.

Authorities alleged that company officials brought prostitutes to Belterra to entertain a group of 48 high-rolling customers who were gathered at the resort for a golf tournament.

Pinnacle said it would pay a fine of \$2.26 million, close the Belterra casino for three days, build a new 300-room hotel tower at the property and create a new compliance committee on its board of directors. Pinnacle also purged anyone connected with the event, including R.D. Hubbard, chairman at the time.

Pinnacle dealt head-on with the issue when making its bid for the casino projects in St. Louis and St. Louis County. Its submission packages included an account of the issue and the steps the company has taken.

In December, Pinnacle used \$17.5 million from a new \$300 million credit package to buy out Hubbard's remaining 6.8 percent stake in the company. The

company spent an additional \$2.5 million to buy shares from a foundation controlled by Hubbard and his wife. "Part of the reason we did that was to make sure we didn't have a licensing issue in Missouri," Lee said.

Pinnacle had revenue of \$531.5 million last year, up 3.4 percent from 2002. Its earnings before interest, taxes, depreciation and amortization were \$90.5 million, an increase of 7.3 percent.

But the company posted a net loss of \$4.7 million because of accounting charges relating to goodwill, the extinguishment of debt and other factors.

Some industry analysts had been leery of Pinnacle's ability to pull off the St. Louis projects, given its high degree of financial leverage and the demands of the project in Lake Charles.

But this month's stock offering, which netted \$120 million for the company, significantly improved its debt-to-equity ratio and gave it the additional money it needs to pay for all three of the developments, Lee said.

The company's \$365 million in cash on hand, an expected \$58 million from two land sales in California, its existing credit and cash generated by operations should cover the roughly \$825 million the company needs, he said.

Market focus

Pinnacle's project on the Landing includes a casino with 2,000 slot machines and 40 table games, a 200-room hotel and a 2,000-space parking garage. The company also pledged to spend \$50 million on housing, possibly in the form of a condominium tower.

Pinnacle's project in Lemay calls for a casino with 3,000 slot machines and 60 table games, a hotel, a high-end outlet mall, a bowling alley and a movie theater. It also includes a park that would serve as a buffer between its property and the School Sisters of Notre Dame. It would have athletic fields and a bandshell. The project would include an aquatic and community center elsewhere in Lemay.

Though the company has yet to settle on names for either of the properties, it's leaning toward "The Casino at Laclede's" in the city, Lee said.

Pinnacle's new casino in Louisiana also is likely to get a distinctive name that reflects its location and personality, Lee said.

"It's not the same as many of our other properties," Lee said. "It's a little bit French in character."

Some casino chains, such as Harrah's Entertainment Inc., put their brand on nearly all properties. Others, like MGM Mirage and Mandalay Resort Group, use individual names for individual properties.

"I think that, longer term, we're more like that," Lee said.

"You look at the particular market you're trying to develop, and you address that market."

Pinnacle Entertainment

Headquarters: Las Vegas

Business: Operates five casinos, including four with hotels, in the United States and two casinos in Argentina; receives income from two card-club casinos in California

Employees: 5,994 in 2002

Founded: 1938, as Hollywood Park Turf Club

Chairman, chief executive: Daniel R. Lee

Online: www.pinnacle-entertainment-inc.com

Share price: \$13.40 on Friday; reached 52-week high of \$14.55 on Thursday

Sources: Bloomberg, Hoover's Online

Reporter Christopher Carey

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