

Casino buyout clears hurdle

Anthony Marnell III started out small in getting back into the casino operating business. Purchasing two of Laughlin's largest casinos, he figured, was the logical next step for his management team.

The Gaming Control Board gave Marnell and the investment group he heads tentative approval Wednesday to acquire the Edgewater and Colorado Belle casinos from MGM Mirage for USD 200 million. The Nevada Gaming Commission will rule on the deal May 17 and Marnell, who is partnering with Sher Gaming in the purchase, has targeted June 1 to close the transaction.

Marnell cut his teeth in the gaming industry working for his father, casino construction pioneer Tony Marnell, who built and operated the Rio, which was sold to Harrah's Entertainment in 1999. Since that time Marnell, 33, founded a software company.

Last year, he and Sher Gaming bought the small Saddle West Casino in Pahrump, subsequently spending almost USD 7 million to renovate the aging 116-slot machine property. He told the regulators the casino is producing revenues within the projections the management team predicted a year ago.

The Colorado Belle and Edgewater casinos are a little larger bite of the apple.

„The Saddle West helped re-establish us in the business,“ Marnell said after the control board hearing. „Laughlin really is a big step up, but we see a tremendous amount of potential.“

Combined, the side-by-side Colorado Belle and Edgewater sit on 57 acres fronting about 300 yards of the Colorado River. Together, the two properties have 2,535 hotel rooms and 138,000 square feet of casino space with 2,224 slot machine

and 72 gaming tables.

Marnell told gaming regulators he and his partners would spend about USD 22 million initially to upgrade the slot machines at the two casinos, some of which, he said, are long outdated. All the machines, Marnell said, will be replaced or retrofitted to include coinless slots.

„They have games built by companies that went bankrupt and are no longer in existence,“ Marnell said. „I think some of the slot machines were built before I was born.“

The Colorado Belle and Edgewater were acquired by MGM Mirage when the casino giant bought the Mandalay Resort Group in April 2005 for USD 7.9 billion. The casinos weren't the company's primary focus, however, a point made during the hearing by both Marnell and gaming regulators.

„What's good about this transaction is that the casinos are being acquired by a group in which they will be the primary asset,“ Gaming Control Board Chairman Dennis Neilander said. „That's not to take anything away from MGM Mirage, but these casinos were either a secondary or third-tier asset. Revitalizing these properties is good for the overall market.“

Marnell said he believes in Laughlin. In 2006, the community's gaming win was USD 630.4 million, an increase of 1.5 percent over 2005. However, revenues have fallen 2.6 percent for the first two months of 2007.

While he said the Colorado Belle and Edgewater encompass 25 percent of the market, the casinos are in dire need of a new direction. Marnell said that after the initial investment to upgrade the slot machines and casino floor, he and the management group will take some time to decide the next step for the resorts.

„We'll probably take some time to let the market show itself,“ Marnell said. „One of the keys to Laughlin is value, and it

seems to be losing its value. We have a great location and we'll see what is needed to compete."

Marnell said the Colorado Belle, with its paddle wheel riverboat theme, would probably remain as is, but the Edgewater might be rebranded.

In addition, Marnell said the company's management team would be expanded because of the increased scope of the casino operations.

Sher Gaming has a little more than 32 percent interest in the holding company for the two Laughlin casinos and Saddle West. The investor was also offered a chance to invest in Marnell's proposed M Resort, a USD 700 million hotel-casino planned on the far southern end of Las Vegas Boulevard.

Last week, MGM Mirage announced it was investing USD 160 million in the M Resort through a subordinated convertible note, which brought about a concern from control board member Mark Clayton. Marnell, with Sher executives nodding in agreement, said the investors chose not to participate in funding the M Resort.