

Red Hawk operator files for leniency on notes

By Dale Kasler and Rick Daysog, Sacramento Bee

The operator of Red Hawk Casino has taken a huge write down on loans it made to the tribe that owns the struggling casino in Shingle Springs.

In a filing with the Securities and Exchange Commission today, Minneapolis-based Lakes Entertainment Inc. said it took a \$21 million "impairment charge" on notes issued to the Shingle Springs Band of Miwok Indians.

"Lakes does not currently estimate that these amounts will be repaid within the contract terms due to the continued harsh economic climate in Northern California and increased competition from a neighboring casino expansion," the company said.

Ken Adams, a Reno gaming consultant, said Red Hawk has been plagued from the start by its remote location off Highway 50 between Sacramento and Lake Tahoe. That's put the casino at a major disadvantage against Thunder Valley Casino in Lincoln, which also benefited from a huge expansion last summer.

"They don't have the best location," Adams said of the Miwoks. "Thunder Valley has the location."

The weak economy and high gas and food prices have nibbled away at the amount of income available for gaming, he added. "When (customers') gas costs a third more than it used to and their food costs a third more than it used to, they have less to spend," he said.

The write down prompted Lakes to report a \$28.1 million loss for the fourth quarter 2010. The \$1.07 per share loss compares

with a net profit of \$2.4 million in the year-earlier period.

Shares of Lakes fell 27 cents, or 8.6 percent, this morning to \$2.87 on the Nasdaq market.

With over 2,100 slot machines and 65 table games, the Red Hawk Casino opened in December 2008, which was one of worst months of the economic downturn.