RELATED LINKS

- Golden Nugget Details

RELATED NEWS

- Three More Casinos Sign with Global Payments
- Restaurant, Hotel Join Prestigious AAA List
- Golden Nugget Video Games in the Works

GAMING NEWS

Golden Nugget Owners Vow to Return to Vegas Market

11 February 2005

by Liz Benston

By Our Partners at the Las Vegas Sun

LAS VEGAS -- When the hands-on owners of the Golden Nugget casino announced plans last week to sell the landmark property to a Houston-based restaurant giant, many wondered whether tireless downtown cheerleaders Tim Poster and Tom Breitling were bailing out on downtown and, for that matter, the casino business.

After all, locals reasoned, tales abound of newcomers who don't have the stomach to roll with the punches in a notoriously competitive industry.

Poster and Breitling say they will be back in the Las Vegas gaming business soon enough, though they haven't decided in what form. They also dismiss concerns that have surfaced in recent weeks that the $295 million sale to Landry's Restaurants Inc. presented an opportunity to abandon a downtown experiment that didn't pan out or that regulatory and management problems led to the surprise deal.

"That was not our plan to divest of the assets so quickly," Poster said Thursday. "We were thinking that might happen four to five years down the road. This was just a situation where you had a very credible buyer who wanted to get into the industry and what we've done with the place. They wanted to capitalize on that value and came in with so much money."

With the sale to Landry's, Poster and Breitling will have tripled their combined initial equity investment of about $50 million in the year or so since they purchased both Golden Nugget casinos in Las Vegas and Laughlin from MGM Mirage for $215 million. Their company, Poster Financial Group, announced plans in November to sell the Laughlin casino for $31 million.

"I have plans to be here a very, very long time and to be in this industry a very, very long time," Poster said. "We love the gaming business and we both are going to stay in Las Vegas. This has been my home all my life."

Breitling, who also runs an independent film production company in Las Vegas, is equally bullish on future prospects.

"I'm as optimistic about the gaming business and Las Vegas as I've ever been," he said.

Matt Sodl, a managing director of Los Angeles-based advisory firm Innovation Capital, calls the men "masters of timing."

Sodl, who specializes in gaming transactions, was working for Merrill Lynch when he helped sell the pair's Travelscape.com Internet reservation business in Las Vegas to Microsoft Corp. spinoff Expedia Inc. in 2000.

They sold for about $95 million when the market was hot, using the cash to get into the casino game.

As to whether the self-described "golden boys" of gaming -- both still in their mid-30s -- will parlay their profit into a big-league casino on the Strip, Poster said they wouldn't "rule out any options" in Las Vegas.

"We do have the luxury of having the resources to be choosy," he said. "We're too young and too hyper to retire quite yet."

Poster said he would invest downtown again should the right opportunity come along.

"Downtown is a rocket waiting to go off," he said. "It's amazing the amount of development that's going on down here. If you look at the opportunities in the city of Las Vegas and the capital requirements of (a casino on) the Strip versus downtown, it's very viable."

With all eyes on how the dot-com millionaires would take to the casino business, tongues began to wag when the profit at the company began to fall over the past year, swinging from $3 million in the first quarter to a $9 million loss in the third quarter. Fourth quarter results aren't yet in.

Officials cited an aggressive promotion campaign as well as the costs of luring desired gamblers. More significantly, the casino embraced a risky strategy of attracting high-rollers from the Strip with $10,000 bets on craps and up to 10 times odds, meaning that gamblers could place odds bets on single numbers up to 10 times as large as their original bet.

Casinos that allow multiple odds bets typically limit their risk by lowering the total amount of each gambler's bet. By contrast, the Golden Nugget's policy allowed bettors to have up to $1 million or more in play on a single roll of the dice.

Under Poster and Breitling, the Golden Nugget also raised bet limits on blackjack, a more dependable game for the casino that favors the house.

Poster said the higher betting limits are part of an overall strategy to draw high-rollers and build excitement in the casino -- a tactic that worked.

"That's why they call it gambling," he said. "Tom and I never forgot that we were in the gambling business."

The company, financed with publicly traded bonds but no public stock, isn't bound to meet Wall Street profit expectations every three months like the big, Strip-based companies, he said.

"We're undeterred by short-term volatility that's the nature of the beast," he said. "In hindsight, we would not have done anything different."

"There's no question that what we've done at the Golden Nugget in the past year has raised the profile of the brand and the ultimate verification of that is the amount of money the new owners are willing to pay."

Public financing can draw unwanted scrutiny or criticism to a strategy that may not perform in the short-term, said Jeffrey Compton, a Las Vegas casino consultant.

"They had a bad quarter and all the naysayers showed up," they said. "But excitement isn't something you can put in an income statement."

Critics also questioned some of the early tactics of Palms resort owner George Maloof, whose property is entirely financed with private equity, he said.

"They said it was ridiculous to go after the youth market because youth don't play slots," Compton said. But Maloof could afford to take chances.

"George put himself in a position where he doesn't have to answer to any sort of board or shareholders," he said. "George seems to know more about what he's doing than someone looking over his shoulder."

Max Rubin, a casino consultant and blackjack expert, said Poster and Breitling successfully lured a few big fish from the Strip with high limits and deep discounts on gambling debts.

"As a player and an operator, I think they did the right thing," Rubin said. "They had to be aggressive and go after that business or it would never go down there. If you're a tourist (on the Strip) there's no reason to go downtown."

"You don't get to where two kids their age are without being gutsy," he added.

While Compton questions their management strategy, he said the pair have "nothing to be ashamed of."

Their dreams of becoming a true high roller joint probably fell short of expectations because there's a limit to the level of gambler who will venture downtown, Compton sad.

"The high roller is the definition of high maintenance," he said. "They might have realized there were other things they could do with their time and that it wasn't the home run" they were used to, he said.

Poster and Breitling appear willing to accept some mistakes.

Their company has agreed to pay a $30,000 fine to settle a three-count complaint by state regulators involving a sports book posting error as well as an incident in which Poster dealt cards to the cast of the HBO series "The Sopranos" after a meet-and-greet event. Poster dealt cards out of sequence, revealed a hole card and took additional cards so that he would bust and a player would win, among other things.

Poster said the casino reported the activity to regulators after realizing that the gambling episode violated state regulations.

"We're talking about winning a few hands out of a thousand hands" dealt to the actors that night, he said. "But we absolutely concede that it was breaking (state) rules."

"These are the things that make Las Vegas exciting, when you have the owners of the hotel dealing a few hands," said Poster, who said he often dealt to customers as a public relations gesture. "I was trying to add to the whole vibe of the property."

Both men deny that the fine, which settled incidents that occurred eight months ago, led to the sale of the property. Regulators have acknowledged that the new blood is still "good for the industry" in spite of the errors, Poster said.

In an interview with the Sun last year, Breitling admitted that the Mark Burnett-produced reality show series profiling their takeover of the Golden Nugget was a sometimes unflattering and unrealistic exaggeration of the casino's goings-on. The Fox network chose not to renew the show for a second season, citing low ratings.

"The Casino" was still good for business, drawing legions of newcomers downtown to check out the property, Breitling said.

Compton said employees at the Nugget seemed to take to their new bosses and their instinct for the casino business.

"Normally when new owners come in you hear nothing but flack," he said. "I didn't hear anything negative about them, though some people thought the television series was a bit weird."

Poster, who worked 16-hour days with Breitling and was regularly seen on the casino floor, said he will miss the excitement of watching over the casino once the property is sold.

"It's no secret that I'm a gambler," he said. "I love the action."

Breitling said he will miss the camaraderie of the Golden Nugget employees, many of them holdovers from when Steve Wynn owned the property from the 1970s until mid-2000.

"They rallied around our youthfulness and energy," he said. "They would say, 'Man, you guys are just so young' and it made them feel young."

The Golden Nugget's minority equity partners, tennis star Andre Agassi and former

International Game Technology Chief Executive Chuck Mathewson have also reaped a significant gain from their investment and say they look forward to joining the next business opportunity, Poster said.

Breitling said the stresses of running a 24-hour operation haven't strained the pair's longtime friendship and said they will likely remain business partners.

"I think he and I are very complementary and we enjoy working together," he said.