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STATE OF MARYLAND
VIDEO LOTTERY FACILITY LOCATION COMMISSION

**CBAC Gaming, LLC Proposal for a
Video Lottery Operation License in Baltimore City**

**Decision Statement
July 31, 2012**

Summary of Proposal

The Video Lottery Facility Location Commission (commission) has reviewed and evaluated the proposal for a Video Lottery Operation License submitted by CBAC Gaming, LLC (CBAC) to own and operate a video lottery facility in Baltimore, Maryland. CBAC has proposed a facility for 3,750 video lottery terminals (VLTs) to be located at 1501-1521 Russell Street, 1525 Russell Street, and 1551 Russell Street in Baltimore City.

CBAC has paid the required initial license fee of \$22.5 million for 3,750 VLTs. CBAC proposes to invest approximately \$226 million to construct an approximately 262,000 square foot video lottery facility and adjacent parking garage. The facility is scheduled to open in the second quarter of 2014. (See "License Proposal Fact Sheet" for additional information.)

Proposal Evaluation

In evaluating the proposal, the commission was guided by the statutory criteria and the best interests of the State. Under § 9-1A-36(k) of the State Government Article, the commission must evaluate the following factors in awarding a license: business and market factors (70% weight); economic development factors (15% weight); and location siting factors (15% weight).

The commission's review of the proposal included a market analysis of competitive facilities in the region and the estimated revenue potential of a facility at the proposed site; an economic impact analysis of the potential jobs and spending generated by a facility at the proposed site; and an analysis of the proposal's financial viability. The commission made numerous inquiries of CBAC and commission staff, including the staff's consultant. The commission also conducted a visit to and public hearing for the proposed facility site on November 14, 2011.

As required by § 9-1A-36(m)(3) of the State Government Article, the commission cannot award a license until the State Lottery Commission has found the applicant and applicant's principals qualified to hold a video lottery operation license. On June 22, 2012, the State Lottery Commission notified the Video Lottery Facility Location Commission that CBAC and its principal entities and individual principals are qualified under §§ 9-1A-07(c) and 9-1A-08(d) of the State Government Article. The qualifying criteria include the applicant's financial stability, integrity, and responsibility; good character; business ability and experience; and labor peace agreement(s). The commission has reviewed the investigative report prepared by the State Lottery Commission.

Decision

The Video Lottery Facility Location Commission has determined that the applicant has met the applicable requirements of Title 9, Subtitle 1A – Video Lottery Terminals – of the State Government Article, Maryland Annotated Code. The commission finds that there were no material omissions or deficiencies in the proposal.

The commission finds that CBAC and its parent companies (CR Baltimore Holdings, LLC, which is a joint venture of Caesars and Rock Gaming; CVPR Gaming Holdings, LLC; STRON-MD Limited Partnership; and PRT Two, LLC) represent a qualified management team and possess sufficient financial and business resources to operate a successful video lottery facility. Caesars Entertainment Corporation, a publicly traded company, is among the largest gaming companies in the world and has developed and/or operated a number of gaming venues. Further, the commission's evaluation of the proposal finds that CBAC's proposed facility will provide additional revenues and jobs to the State of Maryland, the City of Baltimore, and the local community.

The Video Lottery Facility Location Commission's award of a license is the initial step in a series of approvals to be obtained before a video lottery facility can be constructed. While CBAC has sufficient resources to operate a video lottery facility, CBAC must still obtain construction financing. In addition, CBAC and the City of Baltimore must negotiate a Land Disposition Agreement (LDA), Ground Lease Agreement (GLA), a contract of sale, and/or related agreements (the Supplemental Agreements) to be approved by the Baltimore City Board of Estimates no later than 60 days after license award. If Supplemental Agreements are not executed within 60 days, CBAC or the City of Baltimore may request an extension, which may be granted at the sole discretion of the Location Commission. Finally, CBAC must execute two five-year extensions of the GLA at the time the GLA is executed so that the terms of the lease are not less than the term of the initial 15-year license.

After evaluating all of the factors as required by State law, the commission finds that award of a license to CBAC Gaming, LLC is in the public and best interest of the State. Therefore, under the authority granted to the Video Lottery Facility Location Commission by the Governor and General Assembly in §9-1A-36 of the State Government Article, the commission hereby awards a Video Lottery Operation License for 3,750 video lottery terminals to CBAC Gaming, LLC.

The license is awarded with no exceptions or contingencies and incorporates the requirements of the commission's request for proposals (RFP) #2011-0101 released April 29, 2011; the applicant's proposal (September 23, 2011 initial submission) in response to the RFP; the applicant's revisions to the proposal and correspondence received July 30, 2012 and all documents referenced therein; and all correspondence and written responses to inquiries received by commissioners or commission staff. Any exceptions contained in the applicant's proposal are unenforceable and not legally binding.

Motion

To approve the above Decision Statement and award a Video Lottery Operation License for 3,750 video lottery terminals to CBAC Gaming, LLC, contingent upon:

(1) CBAC negotiating a Land Disposition Agreement (LDA), Ground Lease Agreement (GLA), a contract of sale, and/or related agreements (the Supplemental Agreements) with the City of Baltimore to be approved by the Baltimore City Board of Estimates no later than 60 days after license award, unless an extension is granted at the sole discretion of the Location Commission;

(2) CBAC executing, concurrently with the LDA and the GLA, an irrevocable and binding election to extend the term of the lease for the first two five-year renewal terms;

(3) CBAC promptly seeking financing and submitting evidence of acceptable construction financing;

(4) CBAC submitting any change in ownership or principals prior to license issuance that requires background investigation by the State Lottery Commission to the Video Lottery Facility Location Commission for approval; and

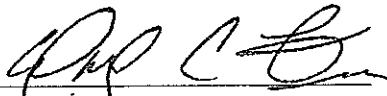
(5) CBAC promptly and fully complying with any and all requests and taking all actions necessary to complete the transaction.

CBAC Award

Motion By: King

Seconded By: Pierce

	AYE	NAY	ABSTAIN	ABSENT
Chairman Donald C. Fry	<input checked="" type="checkbox"/>	[]	[]	[]
Commissioner Thomas Barbera	<input checked="" type="checkbox"/>	[]	[]	[]
Commissioner James King	<input checked="" type="checkbox"/>	[]	[]	[]
Commissioner Rona Kramer	<input checked="" type="checkbox"/>	[]	[]	[]
Commissioner Ella Pierce	<input checked="" type="checkbox"/>	[]	[]	[]
Commissioner D. Bruce Poole	<input checked="" type="checkbox"/>	[]	[]	[]
Commissioner Linda Read	<input checked="" type="checkbox"/>	[]	[]	[]

Chairman's Signature: 

Date: 7/31/12

Recorder's Signature: 