



STATE OF MARYLAND
VIDEO LOTTERY FACILITY LOCATION COMMISSION

**Evitts Resort, LLC Proposal for a
Video Lottery Operation License in Allegany County**

Decision Statement

April 26, 2012

Summary of Proposal

The Video Lottery Facility Location Commission has reviewed and evaluated the proposal for a Video Lottery Operation License submitted by Evitts Resort, LLC (Evitts) to own and operate a video lottery facility in Allegany County, Maryland. Evitts has proposed a facility for 850 video lottery terminals (VLT) to be located at the Rocky Gap Lodge and Resort in Flintstone, Maryland.

Evitts has paid the required initial license fee of \$2.1 million for 350 VLTs – the initial license fee for the first 500 VLTs is waived by statute. Evitts proposes to invest approximately \$54.0 million to purchase the Rocky Gap Lodge and Resort and construct an approximately 50,000 square foot video lottery facility adjacent to the existing Lodge. The facility is scheduled to open in 18 to 24 months. (See "License Proposal Fact Sheet" for additional information)

Proposal Evaluation

In evaluating the proposal, the Video Lottery Facility Location 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 Evitts 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 8, 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. The applicant, Evitts Resort, LLC, consists of two entities, Addy Entertainment, LLC and Lakes Maryland Development, LLC. By letter dated February 21, 2012, Evitts notified the Video Lottery Facility Location Commission and the State Lottery Commission that Lakes Maryland proposed to buy out Addy's ownership in Evitts within five business days after notification of license award to Evitts. On February 23, 2012, the State Lottery Commission notified the Video Lottery Facility Location Commission that Evitts and its principals, Lyle Berman, Timothy Cope, Damon Schramm, Ray Moberg, Richard White, Larry Barenbaum, and Neil Sell, who are also principals of Lakes Entertainment Inc, 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 execution of labor peace agreement(s). The commission has reviewed the investigative report prepared by the State Lottery Commission.

As required by Section 4.2 of the request for proposals (RFP), and as a result of discussions and negotiations with the Video Lottery Facility Location Commission, all parties of interest including the Maryland Economic Development Corporation bondholders have agreed to Evitts' offer to purchase the Rocky Gap Lodge and Resort. In addition, the appropriate parties have agreed upon all material terms of a new Ground Lease between Evitts and the Department of Natural Resources. The purchase of the Lodge and Resort's assets and the Ground Lease are subject to Board of Public Works approval.

A payment in lieu of taxes (PILOT) agreement between the applicant and Allegany County is also required by the RFP (Section 4.2.3.8). Evitts and Allegany County entered into a PILOT agreement on April 12, 2012.

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 Evitts, and its ultimate parent, Lakes Entertainment, Inc, a publicly traded company that has developed and/or operated a number of gaming venues throughout the country, represent a strong management team and possess sufficient financial and business resources to operate a successful video lottery facility. Further, the commission's evaluation of the proposal finds that Evitts' proposed facility will provide additional revenues and jobs to the State of Maryland, Allegany County, 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. Subsequent approval of the purchase and ground lease agreements and related transactions by the Maryland Board of Public Works (BPW) is required. Following BPW approval, the purchase must be finalized with the full release of all liens on the Resort at closing. In addition, while Evitts has sufficient resources to operate a video lottery facility, Evitts must still obtain construction financing.

After evaluating all of the factors as required by State law, the commission finds that award of a license to Evitts Resort, 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 850 video lottery terminals to Evitts Resort, LLC, contingent on Evitts promptly seeking financing for construction of the facility and providing evidence of acceptable financing to the Video Lottery Facility Location Commission and the State Lottery Commission for review and approval before construction may begin, unless such construction activity is approved by the Department of Natural Resources.

The license incorporates the requirements of the commission's RFP #2011-0102 released June 24, 2011; the applicant's proposal (September 23, 2011 initial submission) in response to the RFP, the applicant's revisions to the proposal received April 25, 2012, and all correspondence and written responses to inquiries received by commissioners or commission staff. The applicant took no exceptions in its proposal.

Motion

To approve the above Decision Statement and award a Video Lottery Operation License for 850 video lottery terminals to Evitts Resort, LLC, contingent upon:

- (1) BPW approval of the purchase agreements and Ground Lease for the Rocky Gap Lodge and Resort;
- (2) financial settlement of the purchase of the Resort, release of all liens on the Resort, and any related transactions no later than 45 days after BPW approval or a later date as established by the Video Lottery Facility Location Commission;
- (3) Evitts promptly seeking financing and submitting evidence of acceptable construction financing to the Video Lottery Facility Location Commission and State Lottery Commission for their approval before construction may begin, unless such construction activity is approved by the Department of Natural Resources;
- (4) Evitts 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) Evitts promptly and fully complying with any and all requests and taking all actions necessary to complete the transaction.

Motion By: Poole

Seconded By: Read

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

Chairman's Signature:

Donald C. Fry

Date:

4/26/2012

Recorder's Signature:

Rachel H. Fry