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Florida Gaming gets \$87M loan for Miami Jai-Alai

South Florida Business Journal - by Brian Bandell

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Florida Gaming Corp. said it received an \$87 million senior secured term loan that it will use to expand its Miami Jai-Alai fronton with slot machines and nicer amenities.

The amount of the loan, which the Miami-based company (OTCBB: FGMG) announced Wednesday, seemed comparatively large, given that it listed \$16.6 million in assets on Dec. 31 and recently had a \$19.4 million market capitalization. Florida Gaming lost \$4.8 million on revenue of \$9.3 million in 2010, and ended the year with less than \$1 million in cash and equivalents.

Florida Gaming shares closed Wednesday up \$1.74, or 48 percent, to \$5.34.

In a Securities and Exchange Commission filing, the company said ABC Funding LLC served as the administrative agent for the lenders, whose identities were not disclosed. Florida Gaming did not include the loan agreement as an exhibit with the SEC filing, but it included two stock warrants granted to the lenders. The names of the lending officers on those stock warrants were redacted from public records.

Florida Gaming officials did not immediately return a call seeking comment. In a news release, the company said Innovation Capital was its financial adviser and placement agent.

Florida Gaming said it signed a development and management deal for the facility with Miami Casino Management, an affiliate of Phoenix Gaming and Entertaining. The improvements to Miami Jai-Alai would include 1,000 slot machines, 1,500 parking spaces and upgraded amenities for food and entertainment.

As part of the loan agreement, **W. Bennett Collett Sr.** will step down as president and CEO, but remain chairman. His son, **W. Bennett Collett Jr.**, was promoted from COO to CEO and president, which earns him a \$300,000 salary plus bonuses. **Daniel Licciardi**, who runs Miami Jai-Alai, is the new COO, which boosted his salary to \$225,000.

"The casino development will transform Miami Jai-Alai into an exciting, full-service gaming and entertainment destination," Collett Sr. stated in a news release. "We look forward to restoring

Miami Jai-Alai back to its historical place as the premier entertainment center to the people of Miami and surrounding areas of South Florida.”

The loan matures in five years. Florida Gaming, through its subsidiary Florida Gaming Centers, would receive \$83.5 million of the \$87 million loan after deducting fees and discounts to the lenders. The interest rate will vary between 15.75 percent and 16.5 percent – a relatively high rate.

As collateral securing the loan, the lenders were pledged all the stock in Florida Gaming held by Freedom Holding, a company owned by the Colletts and Hurd Family Partnership. The 1.3 million shares of Florida Gaming stock and 1,000 shares of its Preferred F stock give Freedom Holding control of the company. If the loan goes into default, the lenders could take control away.

The lenders also received warrants to purchase 35 percent of the stock in Florida Gaming Centers for a penny each. But, that price would increase by 0.01 percent – maxing out at a 10 percent increase – for every slot machine made available for gaming at Hialeah Park Race Track.

It is not clear why the deal included Hialeah Park, which Florida Gaming does not own. Hialeah Park is attempting to raise funding to buy slot machines.

The lenders also received warrants to purchase 30 percent of the equity in Florida Gaming for \$25 each. However, if the company's construction project is out of balance by \$3 million and the company cannot pay for it, the lenders could exercise the stock options at a penny each.