

Valley Forge Convention Center Partners, L.P.

Petition for Approval of a
Corporate Restructuring

April 28, 2011

Procedural History

06/29/2007	Application Date
10/16/2007	Eligibility Hearing
05/20/2008	Public Input Hearing
10/22/2008	Suitability Hearing
Fall 2008	Global Credit Crisis
01/21/2009	Board Reopened the Record for Additional Information
02/03/2009 & 04/08/2009	Valley Forge Supplemental Presentations to the Board on Financing Commitments
04/08/2009	Board Awarded Category 3 License to VFCCP
05/08/2009	Board Issued Adjudication
06/05/2009	Appeal to PA Supreme Court
10/21/2009	Oral Arguments at PA Supreme Court
03/08/2011	Decision Issued by PA Supreme Court

Original Proposed Financing

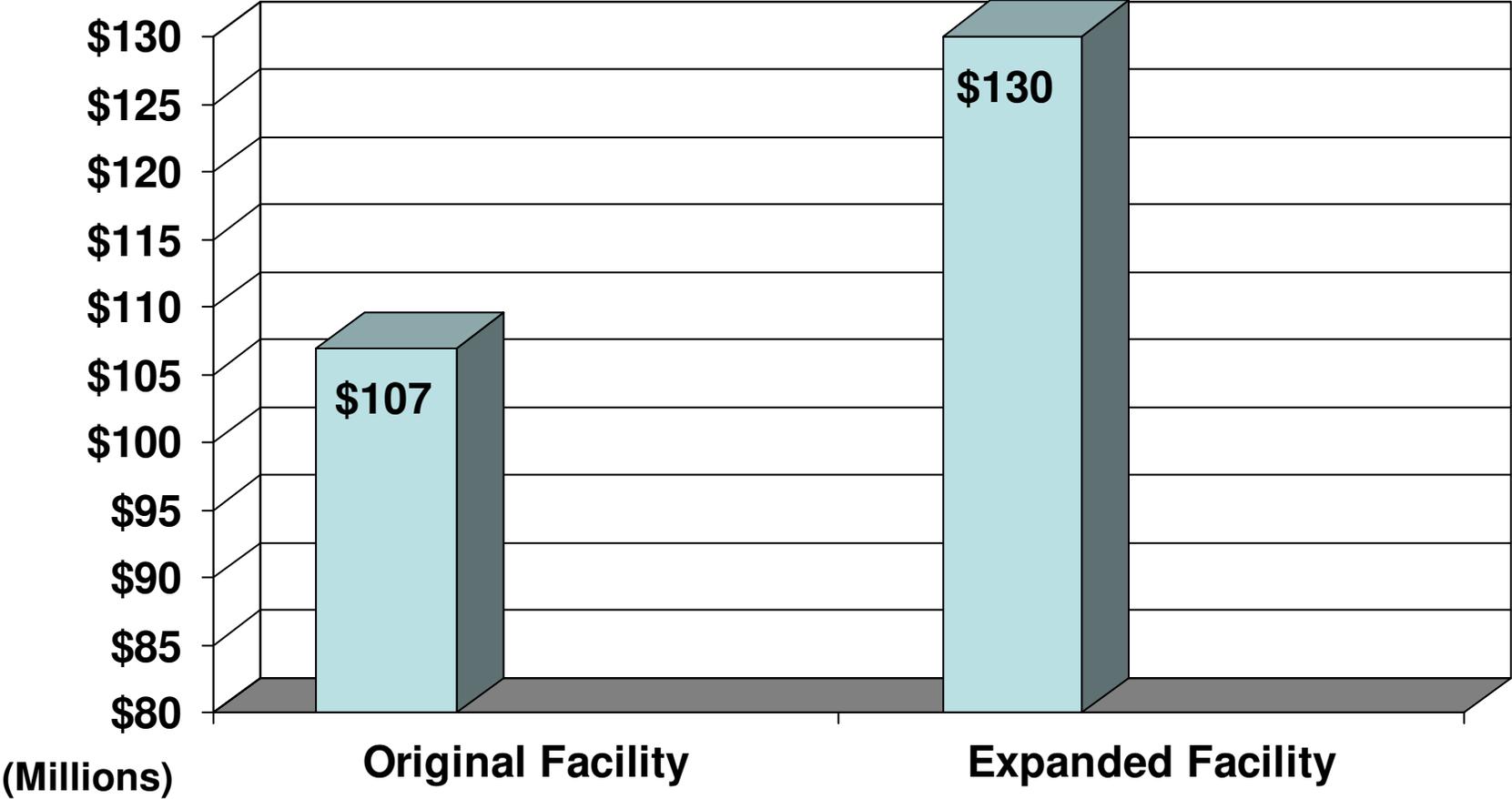
Original financing for \$107 million:

- The General Electric Capital Corporation provided twenty-eight million dollars (\$28,000,000) in debt financing through an existing mortgage and loan agreement that would be assumed by Valley Forge.
- The Delaware Valley Real Estate Investment Fund, L.P. provided a commitment letter, dated March 16, 2009, indicating it will grant twenty-five million dollars (\$25,000,000) in unsecured debt financing.
- Ira Lubert provided a commitment letter dated March 26, 2009, in which he stated “on behalf of the entire Valley Forge partnership, I commit to provide the remaining \$54,000,000 million necessary to proceed with and complete the Project.”
- Commitment letter reflects that Mr. Lubert would continue efforts to “obtain new debt financing.”

Significant Interim Events

- Act 1 of 2010; Senate Bill 711
 - 100 Additional Slot Machines
 - 50 Table Games
 - Table Game Authorization Fee of \$7,500,000
- Proposed expanding facility from 18,000 square feet to 32,980 square feet

Increase in Budgeted Expenses



Final Proposed Financing

- \$100 Million in Commitments from Lenders
- \$30 Million Equity Investment from CMS VF Partners, L.P.
- In addition:
 - \$6.025 Million in Out-of Pocket, Transactional Expenses (i.e. bank fees, legal fees, etc.) from Partners
 - Mr. Lubert, with his partners, have executed several guaranties to provide security for the \$100 Million senior credit facility

Loan Commitments

<u>LENDERS</u>	<u>CONSTRUCTION LOAN COMMITMENT</u>	<u>BRIDGE LOAN COMMITMENT</u>	<u>TERM LOAN COMMITMENT</u>
Susquehanna	\$10,000,000 \$10,000,000*	\$40,000,000#	-0-
Carpenters	\$40,000,000	-0-	-0-
CANAM	-0-	-0-	\$40,000,000#
TOTALS	\$60,000,000*	\$40,000,000#	\$40,000,000#

* \$10,000,000 to be funded upon award of a table games operation certificate

\$40,000,000 Susquehanna Bridge Loan to be taken out by the CANAM Term Loan, subject to approval of CANAM for licensure by PGCB

Loan Documents

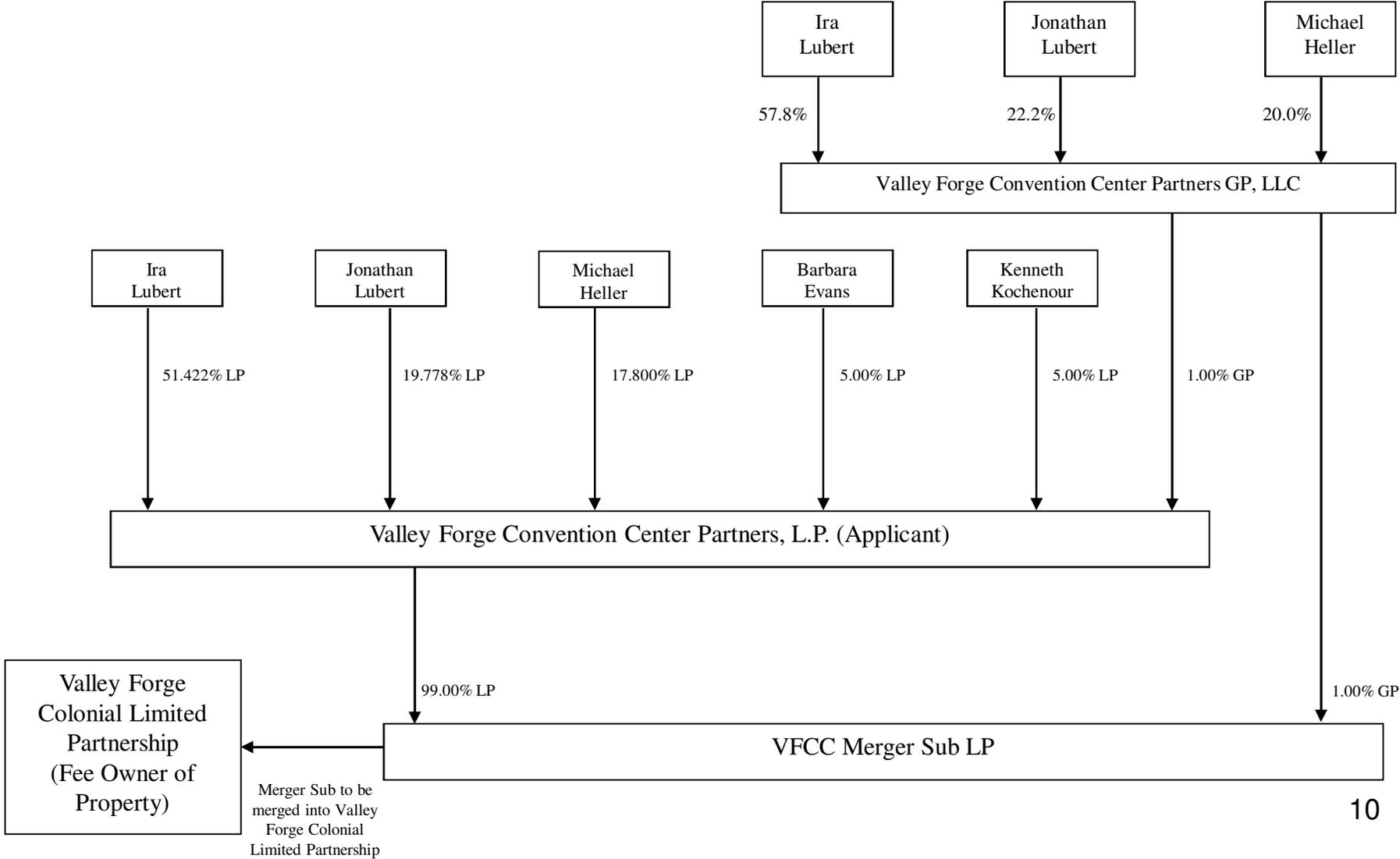
- Loan and Agency Agreement
- Open-End Mortgage
- Security Agreement
- VFCCP Guaranty
- Collateral Assignment of Agreements Affecting Real Estate
- Gaming License Guaranty
- Completion Guaranty and Agreement
- Environmental Compliance and Indemnification Agreement
- Gaming Principal Licenses Indemnification Agreement
- Mandatory Pre-Payment Guaranty
- Payment Guaranty
- Bridge Loan Guaranty
- Construction Loan Notes
- Bridge Loan Note

Transactional and Corporate Documents

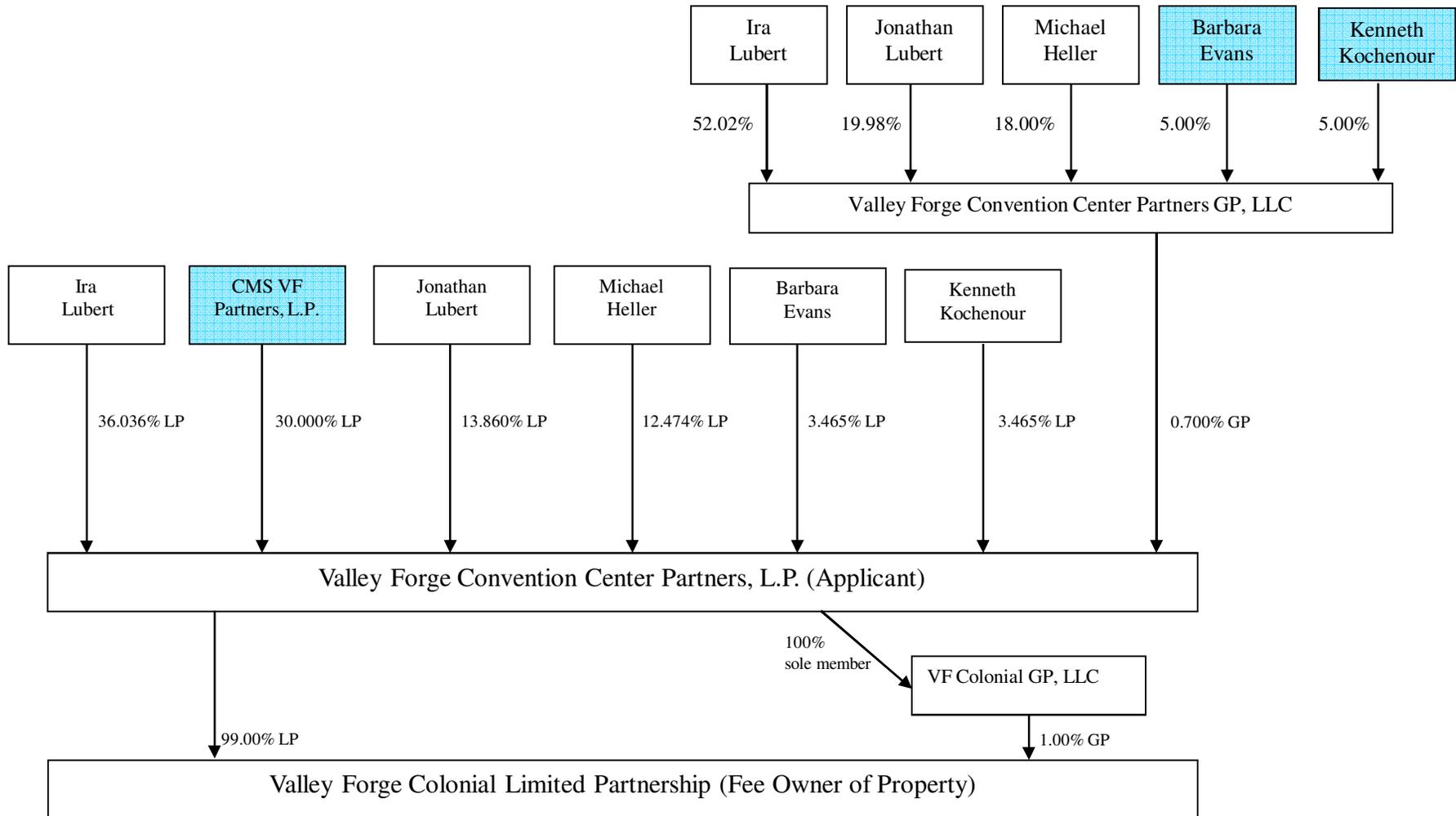
- Agreement and Plan of Merger for VFCCP
 - First Amendment to Merger Agreement
 - Second Amendment to Merger Agreement
 - Third Amendment to Merger Agreement
- First Amended and Restated Agreement of Limited Partnership for VFCCP
- Contribution Agreement for CMS Equity Investment
 - First Amendment to Contribution Agreement
 - Second Amendment to Contribution Agreement
- Corporate documents as part of each entity's application

Organizational Chart

Before Completion of Capitalization



Organizational Chart After Completion of Capitalization



Application of Section 1328

Section 1328(c) of the Act defines “change of control of a slot machine licensee” as:

[T]he acquisition by a person or group of persons acting in concert of more than 20% of a slot machine licensee’s securities or other ownership interests, with the exception of any ownership interest of the person that existed at the time of initial licensing and payment of the initial slot machine license fee, or more than 20% of the securities or other ownership interests of a corporation or other form of business entity which owns directly or indirectly at least 20% of the voting or other securities or other ownership interests of the licensee.

4 Pa. C.S. § 1328(c)

Application of Section 1328

Valley Forge is not a slot machine licensee.

A slot machine licensee is a person that “holds a ... license issued by the Pennsylvania Gaming Control Board authorizing a person to place and operate slot machines pursuant to this part and the rules and regulations under this part.”

4 Pa. C.S. § 1103

Application of Section 1328

- Section 1328(c) of the Act also exempts “any ownership interest... that existed at the time of initial licensing and payment of the initial slot machine license fee.”

Application of Section 1328

- The change of control fee requirement in Section 1328 does not apply to this initial capitalization.
- In circumstances where Section 1328 has applied for Category 1 and 2 licensees:
 - The Board has adopted a change of control fee of 5% of the initial license fee (\$2.5MM) “unless special circumstances would dictate otherwise.” (Board Meeting on December 18, 2007)
 - Maximum Fee should be \$250,000 (5% of Category 3 license fee)
 - Special Circumstances warrant a lesser fee
 - Finalization of the initial capitalization
 - Admission of a new partner; No departing partners
 - Four years since original application
 - Significant cost and fees during delays
 - Protracted litigation