

# **MOUNT AIRY CASINO**



**Pennsylvania Gaming Control Board  
Petition for Approval of Corporate Restructuring**

**May 23, 2012**

## Corporate Restructuring:

- When licensed in July 2007, Mount Airy was 100% owned by Louis A. DeNaples
- For estate planning purposes, Louis DeNaples desired to transfer Mount Airy ownership to trusts established for the benefit of his children and grandchildren

# Corporate Restructuring:

## Step 1

- On September 30, 2009, with Board approval, Louis DeNaples sold his 100% ownership interest in Mount Airy to the Grantor Trust - II of Lisa A. DeNaples (“Lisa Trust”)
- Lisa DeNaples at that time was licensed as a Principal by the PGCB
- As part of the purchase, Lisa Trust was obligated to sell, prorata, 6/7<sup>th</sup>'s of the ownership interests in Mount Airy to trusts established for the benefit of her siblings and nieces and nephews, subject to Board approval.

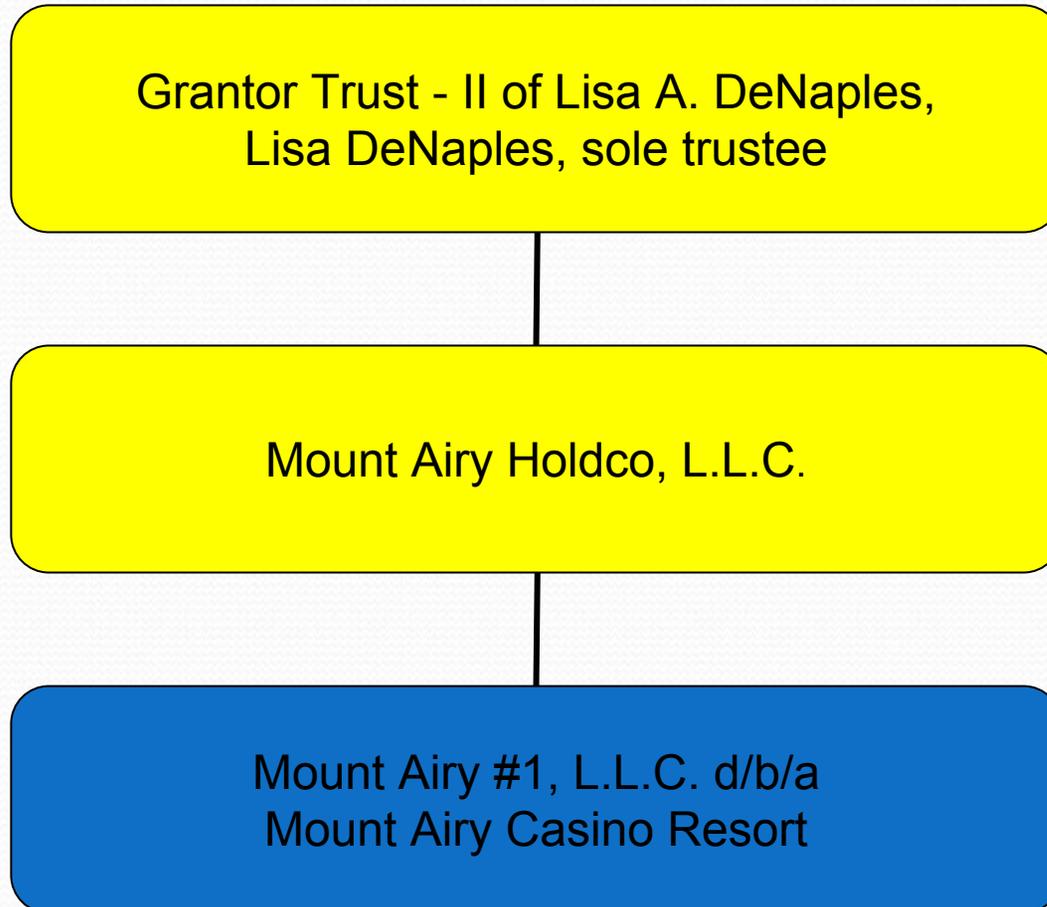
# Corporate Restructuring:

## Step 1: Terms of Sale

- Lisa Trust purchased Louis DeNaples' 100% ownership interest in Mount Airy subject to existing 1<sup>st</sup> Lien debt
- Louis DeNaples took back a Note in the amount of the purchase price (the "Lisa Trust Note")
- Note is not secured by Lisa Trust's ownership interest in Mount Airy
- Over past several years, Louis DeNaples has made additional loans to Lisa Trust with Board approval which funds were used for various corporate purposes, including table games license fee and costs

# Corporate Restructuring:

## Step 1: Existing Ownership



# Corporate Restructuring:

## Step 1: Existing Management

- Lisa DeNaples, as the sole trustee of the Lisa Trust and the Manager of Mount Airy #1, LLC and Mount Airy Holdco, LLC, controls the affairs of the Company and has the authority to make all decisions on behalf of the Company (official title is Owner and Managing Trustee)
- Audit committee is in place
- Day-to-day management is vested in:
  - John Culetsu, General Manager
  - Ed Granci, Chief Financial Officer

# Corporate Restructuring:

## Step 2

- With Board approval, Lisa Trust sells a 1/7<sup>th</sup> ownership interest in Mount Airy to each of the following trusts (the “Additional Sibling Trusts”):
  - Grantor Trust - II of Louis A. DeNaples, Jr.
  - Grantor Trust - II of Donna Dileo
  - Grantor Trust - II of Anne DeNaples
  - Grantor Trust - II of Dominica DeNaples
  - Trust - II f/b/o Children of Margaret Mary Glodzik
  - Trust - II f/b/o Children of Nicholas DeNaples

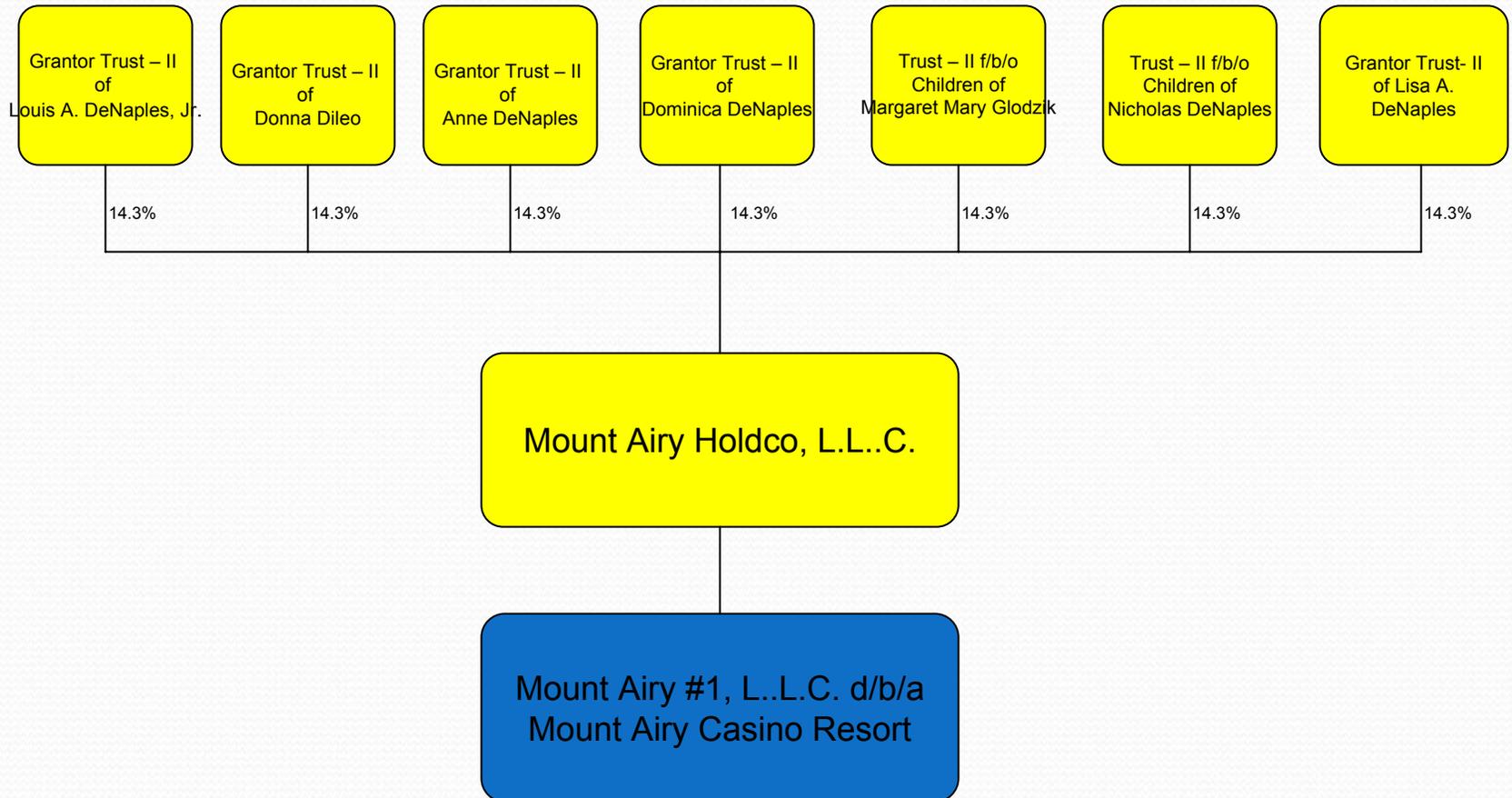
# Corporate Restructuring:

## Step 2: Terms of Sale

- Each Additional Sibling Trust will assume 1/7<sup>th</sup> of the outstanding indebtedness on the Lisa Trust Note
- Notes will not be secured by the Additional Sibling Trusts' ownership interests in Mount Airy

# Corporate Restructuring:

## Step 2: Proposed Ownership Structure



# Corporate Restructuring:

## Step 2:

- If the corporate restructuring is approved by the Board, Mount Airy will be governed by a management committee comprised of Lisa DeNaples, Dr. Louis DeNaples and Donna Dileo
- Committee will act as Board of Directors
- Committee will not run the day-to-day operations of the casino

## Louis DeNaples Withdrawal:

- Mr. DeNaples is not a Principal or Key Employee of Mount Airy under the Gaming Act and Regulations
  - No direct or indirect ownership interest in Mount Airy
  - Not a director, officer or employee of Mount Airy
  - Not a lender to Mount Airy
  - Not a financial backer of Mount Airy
  - Not a guarantor of Mount Airy's debt

## Mount Airy Refinancing

- Refinancing closed on April 19, 2012
- \$165 million of new 1<sup>st</sup> Lien debt arranged by JPMorgan and Deutsche Bank
- Loan is secured solely by the assets of Mount Airy
- Much improved financial position

	<u>Old 1<sup>st</sup> Lien Debt</u>	<u>New 1<sup>st</sup> Lien Debt</u>
Principal Amount	\$271 million	\$165 million

# Mount Airy Refinancing

Louis DeNaples

- Personally assumes the balance of the old Mount Airy debt (JPMorgan is lender)
- No recourse against Mount Airy
- Mr. DeNaples collaterally assigned the Lisa Trust Note to JPMorgan
  - To the extent, Lisa Trust receives any cash distributions, such funds are required to be paid directly to JPMorgan
  - Mr. DeNaples has no right to receive any payments from Lisa Trust
  - Mr. DeNaples and JPMorgan have agreed that any payment by Lisa Trust on account of the Lisa Trust Note shall result in a dollar for dollar reduction on Mr. DeNaples' personal loan



*Mount Airy*  
CASINO ♦ RESORT