

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re	:	Chapter 11
	:	
CENTAUR PA LAND, LP, <u>et al.</u>,	:	Case No. 09-13760 (KJC)
	:	
Debtors.	:	(Joint Administration Requested)
	:	

**DECLARATION OF KURT E. WILSON IN
SUPPORT OF FIRST DAY MOTIONS**

Kurt E. Wilson declares, avers and says:

1. On October 28, 2009 (the “Petition Date”), Centaur PA Land, LP (“Centaur PA”) and its affiliate Valley View Downs, LP (“VVD LP”, and together, the “Debtors”),¹ each commenced a case under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101, et seq. (the “Bankruptcy Code”), in the United States Bankruptcy Court for the District of Delaware.

2. I am the Chief Financial Officer, Executive Vice President, Secretary and Treasurer of Centaur, LLC (“Centaur”). Centaur is the manager of (i) Centaur PA Land Management, LLC, the general partner of Centaur PA Land General Partners, LP, which is the general partner of Centaur PA; and (ii) Valley View Downs GP, LLC, the general partner of VVD LP.² As such, I am familiar with the day-to-day operations, business and financial affairs of the Debtors.

¹ Centaur PA does not have a federal tax identification number because it is a disregarded entity for tax purposes. The last four digits of VVD LP’s federal tax identification number are 1028.

² Centaur, LLC; Centaur PA Land Management, LLC; Centaur PA Land General Partners, LP; and Valley View Downs GP, LLC are non-debtor affiliates of the Debtors.

3. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

4. I submit this declaration to assist the Court and other parties in interest in understanding the circumstances that compelled the commencement of these chapter 11 cases and in support of the Debtors' first day motions (the "First Day Motions"). Except as otherwise indicated, all facts set forth in this declaration are based upon my personal knowledge, information provided to me by certain of the Debtors' employees, my review of relevant documents or my opinion based upon my experience, knowledge and information concerning the operations and financial affairs of the Debtors. If I were called upon to testify, I would testify competently to the facts set forth in this declaration. I am authorized to submit this declaration.

I.

NATURE OF THE DEBTORS' BUSINESSES AND EVENTS LEADING TO THE COMMENCEMENT OF THE CHAPTER 11 CASES

A. Corporate Structure; Background

5. The Debtors are wholly-owned, indirect subsidiaries of Centaur, a wholly-owned direct subsidiary of Centaur Gaming, LLC ("Holdings"). Holdings is wholly-owned by Centaur, Inc. (together with Centaur, Holdings and their affiliates and subsidiaries, including the Debtors, the "Company"). No Centaur entities other than these Debtors have sought relief under chapter 11 of the Bankruptcy Code.

6. The Company is a leading domestic horse racing, off-track betting and casino operator with approximately 219,000 square feet of combined gaming space. The Company currently owns, operates, and/or has interests in racing and casino facilities in five

distinct gaming markets in Indiana and Colorado, with a project in-progress in northwest Pennsylvania.

B. Debt Structure

7. Holdings, Centaur, as borrower, and certain of their subsidiaries, including the Debtors, are parties to a \$610 million Amended and Restated First Lien Revolving Credit and Term Loan Agreement, dated as of October 30, 2007, and amended and restated as of September 17, 2008 (as amended, restated, supplemented and/or modified through the Petition Date, the “First Lien Credit Facility”), with Credit Suisse, Cayman Islands Branch (“CS”), as administrative agent and certain lenders from time to time party thereto (the “First Lien Lenders”). The First Lien Credit Facility provides for, among other things, (i) a first-lien security interest in, and lien on, substantially all property and assets of Centaur and certain of its subsidiaries, including the Debtors (collectively, the “Collateral”), (ii) a first-lien guaranty of all obligations under the First Lien Credit Facility and related documents by such subsidiaries; and (iii) a first-lien equity pledge by Holdings of all its equity interests in Centaur.³

8. Holdings, Centaur, as borrower, and certain of their subsidiaries, including the Debtors, are parties to a \$180 million Amended and Restated Second Lien Term Loan Agreement, dated as of October 30, 2007, and amended and restated as of September 17, 2008 (as amended, restated, supplemented and/or modified through the Petition Date, the “Second Lien Credit Facility”, and together with the First Lien Credit Facility, the “Credit Facilities”), with Wells Fargo, as administrative agent and certain lenders from time to time party thereto (collectively, the “Second Lien Lenders”). The Second Lien Credit Facility provides for, among other things, (i) a second-lien security interest in, and lien on, the Collateral; (ii) a second-lien

³ Nothing contained herein shall constitute an admission by the Debtors of the validity, priority, extent or enforceability of any lien, security interest, or guarantee asserted by the First Lien Lenders.

guaranty of all obligations under the Second Lien Credit Facility and related documents by such subsidiaries; and (iii) a second-lien equity pledge by Holdings of all its equity interests in Centaur.⁴

9. As of the Petition Date, the Company had a total of approximately (x) \$382 million outstanding under the First Lien Credit Facility and (y) \$190 million outstanding under the Second Lien Credit Facility. The Collateral securing the Credit Facilities does not include the LC Cash (as defined below), which expressly constitutes “Excluded Collateral” thereunder.

C. Business Operations

10. The Debtors hold a racing, gaming and entertainment development opportunity, to be known as “Valley View Downs”, in Lawrence County, Pennsylvania, 55 miles northwest of Pittsburgh. The Debtors currently own approximately 250 acres where they plan to construct Valley View Downs.

11. As of the Petition Date, the Debtors’ books and records (on a consolidated basis) reflect assets with a book value totaling approximately \$148 million and liabilities totaling approximately \$297 million.

D. Gaming Application

12. To operate a casino and horse racing facility at Valley View Downs, the Company must have a category 1 gaming license (the “Gaming License”) and a license to conduct harness horse race meetings with pari-mutuel wagering.

13. The Debtors currently have an application (the “License Application”) pending with the Pennsylvania Gaming Control Board of the Commonwealth of Pennsylvania

⁴ Nothing contained herein shall constitute an admission by the Debtors of the validity, priority, extent or enforceability of any lien, security interest or guarantee asserted by the Second Lien Lenders.

(the “Commonwealth”) for approval of the Gaming License. As a condition to the approval of the License Application, the Commonwealth required the Debtors to provide the Commonwealth, as beneficiary, with a letter of credit in the face amount of \$50 million, which may be drawn by the Commonwealth only when the License Application is approved.

14. To satisfy the letter of credit requirement, VVD LP entered into a letter of credit and reimbursement agreement (the “Expiring L/C Agreement”) with CS (in such capacity, the “Original L/C Issuer”), pursuant to which CS issued a letter of credit in the face amount of \$50 million (the “Expiring L/C”) for the account of VVD LP to the Commonwealth, as beneficiary. The Expiring L/C is secured by \$50 million of VVD LP’s cash (the “L/C Cash”), which is currently held in an account in the name of CS in accordance with the Expiring L/C Agreement.

E. Events Leading to the Commencement of the Chapter 11 Cases

15. Although the Debtors’ pending License Application is currently supported by the Existing L/C, it is my understanding that CS previously delivered a notice of non-renewal of the Expiring L/C and that the Expiring L/C will therefore expire by its terms on October 30, 2009, if not drawn upon before then.

16. To date, no letter of credit issuer, including the Original L/C Issuer, has been willing to issue a replacement letter of credit absent the protections available through an order of the Court. Any lapse in the letter of credit supporting the License Application may, however, result in an attempted return of the License Application by the Commonwealth, and place the Debtors at risk of losing their right to the valuable Gaming License. Accordingly, I believe the Debtors’ best option for preserving their right to the Gaming License, which is necessary to their ability to develop Valley View Downs, is to ensure continuation of the letter of credit by entering into an amendment and restatement of the Expiring L/C Agreement (as

amended and restated, the “L/C Agreement”) with CS (in such capacity, the “L/C Issuer”), pursuant to which CS will rescind its notice of non-renewal of the Expiring L/C and extend the terms of the Expiring L/C by issuing an amendment thereto (the “Amended L/C”).

17. Therefore, the Debtors have determined to commence these cases under chapter 11 of the Bankruptcy Code in order to facilitate the amendment of the Expiring L/C so that the License Application for the Gaming License may be preserved.

II.

FACTS IN SUPPORT OF FIRST DAY MOTIONS

18. Concurrently with the filing of their chapter 11 petitions, the Debtors have filed the First Day Motions. The Debtors request that the relief sought in each of the First Day Motions described below be granted, as each request for relief constitutes a critical element in achieving the successful rehabilitation and reorganization of the Debtors for the benefit of all parties in interest.

A. Debtors’ Motion Pursuant to Bankruptcy Rule 1015(b) and Local Rule 1015-1 for Joint Administration of Cases

19. The Debtors seek the joint administration of their chapter 11 cases for procedural purposes only pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Rule 1015-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”). Joint administration will obviate the need for duplicative notices, motions, applications and orders, and thereby save time and expense for the Debtors and their estates.

20. The rights of the respective creditors of the Debtors will not be adversely affected by the proposed joint administration of these cases because each creditor may still file

its claim against a particular estate. The Court will also be relieved of the burden of entering duplicative orders and maintaining redundant files.

21. It is my belief that the joint administration of the chapter 11 cases is in the best interests of the Debtors, their estates and all parties in interest, and should be granted in all respects.

B. Motion of Debtors for Entry of Interim and Final Orders Pursuant to Sections 105(a), 362 and 364 and Bankruptcy Rule 4001, (I) Authorizing the Debtors to (A) Amend Expiring Letter of Credit in Support Debtors' Gaming License Application to Extend Term Thereof, and (B) Collateralize Amended Letter of Credit with Cash Securing Expiring Letter of Credit, and (II) Providing Notice of and Scheduling a Final Hearing (the "Motion to Amend")

20. The Debtors are seeking authorization to amend the Expiring L/C issued by CS (the Original L/C Issuer) that will expire on October 30, 2009, to preserve the viability of a gaming application pending with the Commonwealth which is critical to the Debtors' business operations.

21. To explore all of their options, the Debtors requested an extension of the Expiring L/C from the Original L/C Issuer, and also sought to obtain a replacement letter of credit and/or a surety bond from other third parties while the Debtors negotiated for an extension with the Original L/C Issuer. After discussions with several potential third party issuers, all of whom also required that the Debtors' reimbursement obligations be secured by first priority liens on the L/C Cash and given superpriority administrative expenses status, the Debtors determined that none of them were able to comply with the expedited timetable the Debtors faced or to provide terms otherwise acceptable to the Debtors. Accordingly, the Debtors focused their efforts on CS (the Original L/C Issuer), as it was willing to work within the Debtors' limited time frame and its proposal to issue the Amended L/C (effectively extends the Expiring L/C) complied with the Commonwealth's minimum term requirements (i.e., the Commonwealth

required a term of no less than three months). Moreover, CS was willing to provide the Amended L/C on substantially the same terms as the Expiring L/C.

22. Pursuant to the L/C Agreement, the L/C Issuer proposes to amend the Expiring L/C previously issued to the Commonwealth, as beneficiary, in the face amount of \$50 million, to extend the term thereof. The Amended L/C will become effective immediately upon the expiration of the Expiring L/C, and will remain in effect for a term of three (3) months from such date. In connection with the Amended L/C, the Debtors are seeking authorization to collateralize the Amended L/C with the L/C Cash currently securing the Expiring L/C. It is my understanding that there are no material outstanding amounts due and owing to the Original L/C Issuer currently or as of October 30, 2009, and therefore, the L/C Cash in which the Debtors' propose to grant the L/C Issuer liens pursuant to the L/C Agreement shall be unencumbered at the time such liens are granted.

23. It is my understanding from the Commonwealth, that the proposed Amended L/C, including the proposed term thereof, is acceptable to the Commonwealth and will satisfy the Commonwealth's requirement for a continuing letter of credit in support of the Debtors' License Application. It is also my understanding that the agents under the Credit Facilities do not object to the relief requested.

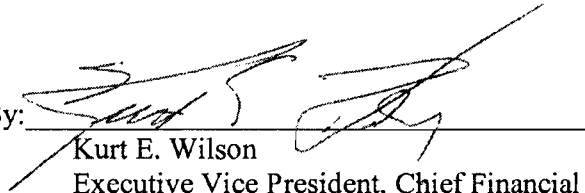
24. It is my belief that the terms of the L/C Agreement are fair and reasonable and were negotiated in good faith. It is also my belief that the relief requested does not prejudice the rights of the Debtors or their creditors and is necessary to preserve the viability of the Debtors' business operations. Further, I believe that authorization to enter into the L/C Agreement and obtain the Amended L/C is necessary on an interim basis, to avoid immediate and irreparable harm to the Debtors and their business operations pending a final hearing. It is

my belief that the license is critical to the development and operation of the Debtors' business and therefore the relief requested in the Motion to Amend is appropriate and necessary and is in the best interests of the Debtors' estates.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing
is true and correct.

Dated: October 28, 2009

By: _____

A handwritten signature in black ink, appearing to read "Kurt E. Wilson", is written over a horizontal line. The signature is stylized and cursive.

Kurt E. Wilson
Executive Vice President, Chief Financial
Officer, Treasurer and Secretary