REQUEST FOR APPLICATIONS TO DEVELOP AND OPERATE A GAMING FACILITY IN NEW YORK STATE

DETERMINATION OF MINIMUM CAPITAL INVESTMENT

May 12, 2014

N.Y. Racing, Pari-Mutuel Wagering and Breeding Law § 1315 requires that the Gaming Facility Location Board establish a minimum capital investment for Gaming Facilities by zone and region. Such investment must include, but is not limited to, the cost of a casino area and at least one hotel and other amenities. In addition, the Board is required to determine whether it will include the purchase or lease price of the land where the Gaming Facility will be located or any infrastructure designed to support the site. Section VIII.A.1. of the Board's March 31, 2014 Request for Applications to Develop and Operate a Gaming Facility in New York State sets forth the Board's determination of which costs each Applicant for a gaming license will be permitted to include in its calculation of its minimum capital investment and which costs may not be included. That section of the RFA also stated that within ten (10) business days after the Mandatory Applicant Conference held on April 30, 2014 the Board would promulgate the minimum capital investment required.

In determining the minimum capital investment, the Board has reviewed data on recently constructed and proposed gaming facilities in various States including Massachusetts, Maryland and Ohio. In-state developments of various Native American gaming facilities were also considered. Such data included the nearby adult population, estimated total investment and, where applicable, required minimum investment in such gaming facilities. The Board also reviewed economic and financial models prepared by its consultants that were developed based on estimated gross gaming revenues for likely gaming facility locations and accepted industry operating margins, debt-to-equity ratios and rates of return. The Board's observation is that there is a wide range of market comparables for both total investment and required minimum investment in Gaming Facilities. This is due to a variety of factors, some being site specific, others driven by a gaming developer's ability to create amenities and features that will have wide appeal and can successfully be marketed as a destination to populations having a higher average disposable income. In addition, the Board's determination of minimum capital

investment was influenced by its desire to balance the goal of encouraging competition in order to preserve the integrity of the selection process with the goal of maximizing the economic benefits to the State and each region that are associated with high-quality, large-scale destination resorts.

As the result of this process the Board establishes the following minimum capital investment:

For a Gaming Facility located in:	The minimum capital investment is:
REGION 1	
Dutchess or Orange Counties:	$ 350,000,000
If no License is awarded for a Gaming Facility located in Dutchess or Orange Counties, the for the remaining portion of Region 1 (comprising Columbia, Delaware, Greene, Sullivan and Ulster Counties):	$ 130,000,000
If a License is awarded for a Gaming Facility located in Dutchess or Orange Counties, the for the remaining portion of Region 1 (comprising Columbia, Delaware, Greene, Sullivan and Ulster Counties):	$ 100,000,000
REGION 2	$ 135,000,000
REGION 5	
Broome, Chemung, Schuyler, Tioga or Tompkins Counties:	$ 85,000,000
Wayne County or Seneca Counties:	$ 135,000,000
If a License is awarded on Wayne or Seneca Counties, then for the remaining portion of Region 5 (comprising Broome, Chemung, Schuyler, Tioga or Tompkins Counties):	$ 70,000,000

The RFA minimum capital investment standard established was intended to reflect the fact that some parts of the total investment that developers will make

do not create the type of economic development benefits that the statute is intended to foster, so these were treated as excluded investments in the calculation of the minimum investment.

Our consultants have advised us that these excluded investments, which include the licensing fee, land, financing costs, and certain startup expenses among other factors, typically constitute about 35 percent of the total investment of this type of new development. In other words, the minimum capital investment levels established are approximately 65 percent of the total amounts of the investment that developers are expected to make.

The following chart clearly illustrates the full-anticipated investment by Gaming Facility location. Included in the chart is the Minimum Capital Investment, the Minimum Capital Investment including the additional 35 percent excluded investments, the required license fee and the overall total anticipated investment.

CUMULATIVE INVESTMENT BY GAMING FACILITY LOCATION

Gaming Facility Location	Minimum Capital Investment	Implied Total Investment	Total
REGION 1			
Dutchess or Orange Counties:	$ 350,000,000	$ 122,500,000	$472,500,000
If no License is awarded for a Gaming Facility located in Dutchess or Orange Counties, the for the remaining portion of Region 1 (comprising Columbia, Delaware, Greene, Sullivan and Ulster Counties):	$ 130,000,000	$45,000,000	$ 175,500,000
If a License is awarded for a Gaming Facility located in Dutchess or Orange Counties, the for the remaining portion of Region 1 (comprising Columbia, Delaware, Greene, Sullivan and Ulster Counties):	$ 100,000,000	$38,500,000	$ 138,500,000
REGION 2	$ 135,000,000	$47,250,000	$ 182,250,000
REGION 5			
Broome, Chemung, Schuyler, Tioga or Tompkins Counties:	$ 85,000,000	$29,750,000	$ 114,750,000
Wayne County or Seneca Counties:	$ 135,000,000	$47,250,000	$ 182,250,000
If a License is awarded on Wayne or Seneca Counties, then for the remaining portion of Region 5 (comprising Broome, Chemung, Schuyler, Tioga or Tompkins Counties):	$ 70,000,000	$24,500,000	$ 94,500,000