

New York Gaming Facility Location Board
Response to Request for Applications to Develop and Operate a
Gaming Facility in New York State

TIOGA DOWNS RACETRACK, LLC

Exhibit VIII.A.5.

Introduction

Tioga Downs Racetrack, LLC (“Tioga Downs” or the “Company”) is seeking the Gaming Facility License in the Eastern Southern Tier of New York State. Tioga Downs has been operating as a gaming location with Video Lottery Terminals (“VLT”) since July 2006. Tioga Downs Casino located in Nichols, New York would spend \$92,000,000 in addition to the \$44,950,000 that was previously spent making the total facility a \$136,950,000 entertainment complex.

The management of Tioga Downs has extensive experience in running a gaming operation and has at its disposal a well-defined database of customers and market knowledge which can be used to ramp up the operation of an expanded facility quickly. Tioga Downs offers the fastest proposed completion casino offering date of any applicant. A faster completion date will accelerate the expected economic benefits and new job creation, as Tioga Downs believes it can open its expanded casino offering 24-30 months sooner than the other proposed projects. Tioga Downs currently earns close to 20% of its revenue from Pennsylvania. With a full casino license plus amenities for overnight guests, the property is by far the best positioned to generate significant gaming revenues from out of state customers. South and Southwest of Tioga Downs are markets in Pennsylvania without any convenient access to casinos, so this represents a target rich environment for an expanded Tioga Downs Resort and Casino and the State of New York. The new casino revenue that Tioga Downs plans to generate will not be cannibalized from other New York facilities.

Background

American Racing and Entertainment (“ARE”) is the parent company that owns and operates Tioga Downs, as well as Vernon Downs Casino & Hotel located in Vernon, NY.

Tioga Downs began operation as a harness horse racetrack and gaming facility with VLTs owned by the New York Lottery in July 2006. Tioga Downs currently operates 802 VLTs. In 2013, Tioga Downs generated \$66.0 million in gross gaming revenue, \$69.2 million in total revenues and \$6.5 million in EBITDA. Tioga Downs currently has no competing gaming facilities within a 100-mile radius.

Expansion Plan

If awarded a Gaming Facility License, Tioga Downs will quickly expand its gaming floor and could offer full-scale gaming as soon as July 1, 2015. We will remove the current VLTs and replace them with a more attractive offering of 1,000 slot machines with the most popular game themes found in casinos nationwide. We will also begin to offer 50 live table games including Blackjack/21, Roulette, Craps and Poker. To further generate incremental visitation, Tioga Downs will also construct a 136-room hotel, an events center to host entertainment acts and conventions, additional restaurants and acquire a nearby golf course to increase its non-gaming offerings. The entire offering would include:

The parking garage, which is expected to open at the end of 2014, the expanded casino to open in July 2015 and the hotel and non-gaming amenities to open in January 2016:

- 274 Parking Garage and New Lobby Connection

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Exhibit VIII.A.5. (cont.)

- Amenity Building with:
 - Fitness Center (652 SF)
 - Indoor Pool
 - Spa (2500 SF)
 - Event Center (6562 SF, capacity: 410 Banquet, 594 Entertainment)
 - PJ Clarke's Restaurant and Bar (150 seats)
 - Waterslide
 - Outdoor Terraces (300 Seats at Casino Level, 450 seats at Roof Level)
 - Food Concessions
- Hotel (137 rooms including Bride's Room)
 - Outdoor Pool and Pool Bar
- Casino Expansion (19,500 SF) with:
 - Casino Bar Lounge (60 Seats)
- New Poker Room with 12 tables (Renovation to existing Winner's Lounge)
- Virgil's BBQ & Honky Tonk Bar (200 seats)
- Second Floor Office Expansion (4,392 SF)
- Mini-Golf & Fun Center with:
 - 2,241 SF Pavilion
 - 18 hole Mini Golf course
 - Batting cages
 - Rock Climbing wall
 - Picnic area
- Tioga Downs Country Club with:
 - 5000 SF Clubhouse
 - 18 hole Golf Course

After completing the expansion at Tioga Downs (contingent on Tioga Downs winning the license), combined pro forma revenues for 2016 are expected to total \$170.2 million with combined pro forma EBITDA of \$32.3 million.

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Exhibit VIII.A.5. (cont.)

Project Budget

The budget to expand Tioga Downs is \$92.5 million, with nearly all of the expenses expected to be incurred during 2015. The details of the budget are below.

Project	\$mm
Hotel and Event Center Construction	\$ 39.0
Slot Machine/Tables Installation	28.7
Other Facility Expansion Costs	15.3
Casino Floor Expansion Construction	6.0
Golf Course Acquisiton/Expansion	3.5
Total Project Budget	\$ 92.5

Use of Funds

Southern Tier Acquisition II, LLC (“Southern Tier” or the “Entity”), the parent company of ARE, will obtain \$160 million in funding to be utilized for the expansion, to pay the license fee to the State of New York and to refinance its current debt obligations. Southern Tier will contribute \$5 million in equity to the total funds raised. The usage of funds is detailed below.

Use of Funds	\$mm
Debt Financing	\$160.0
Equity Contribution from ST	5.0
License Fee to NY	(35.0)
Project Budget	(92.5)
Refinance current ST debt	(37.5)
Total Funds Remaining	\$0

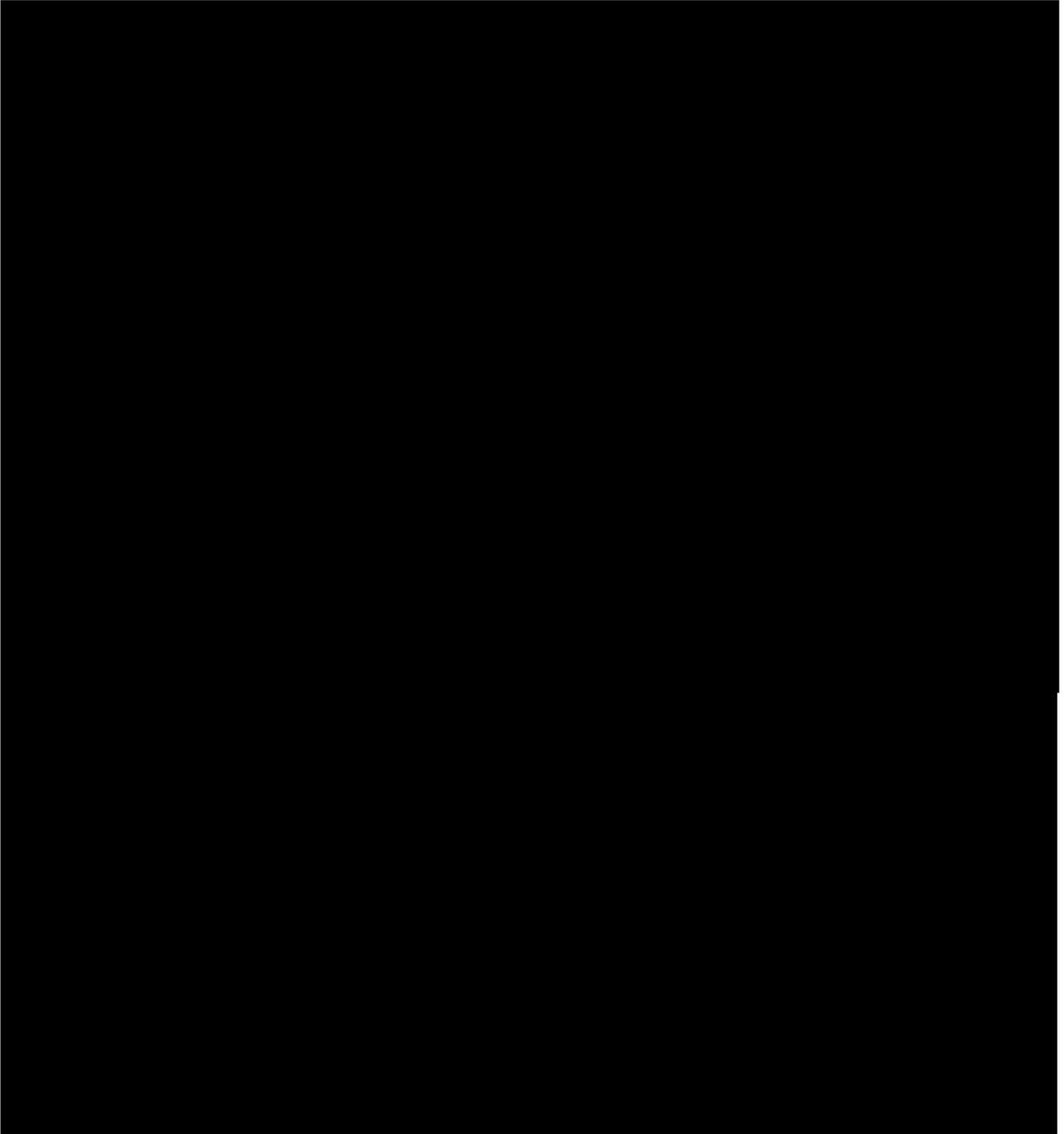
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Exhibit VIII.A.5. (cont.)



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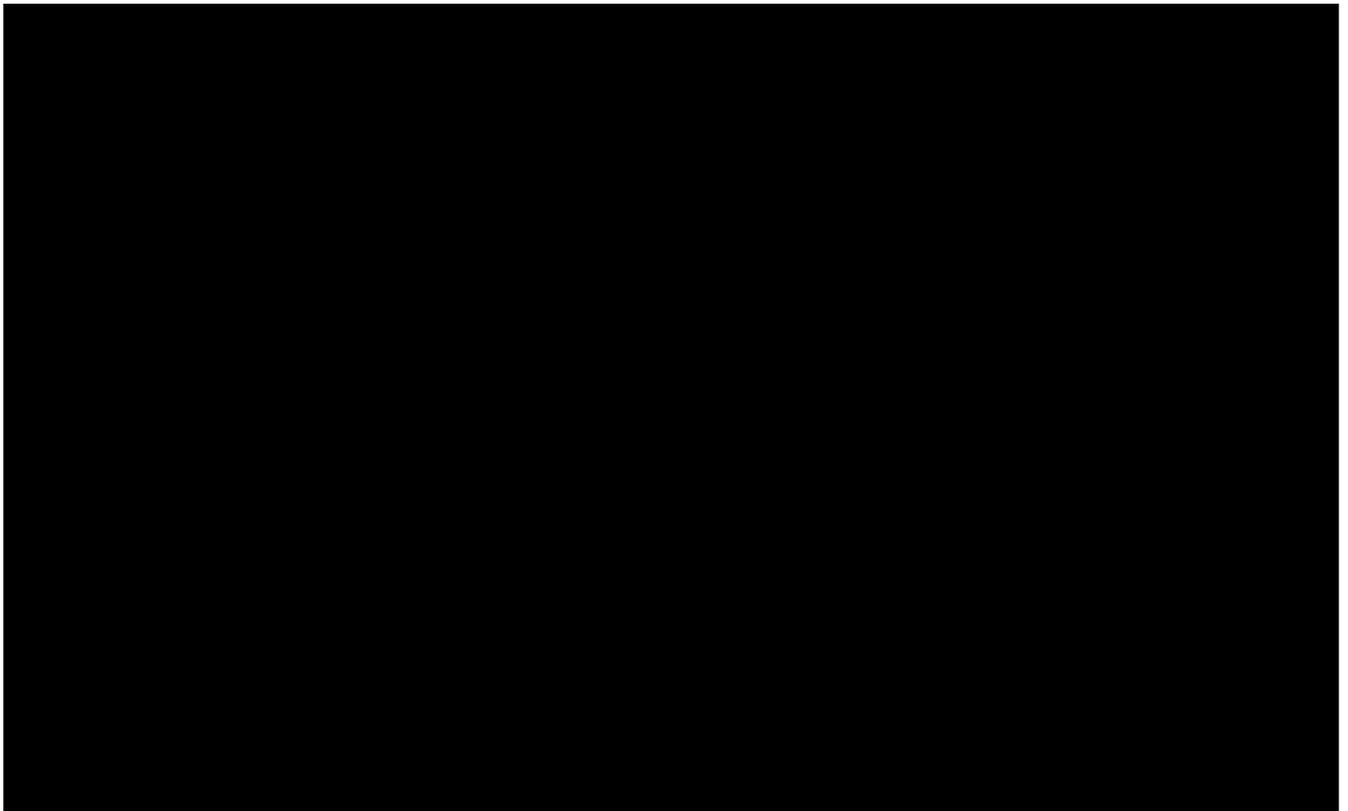
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Exhibit VIII.A.5. (cont.)

Business Risks

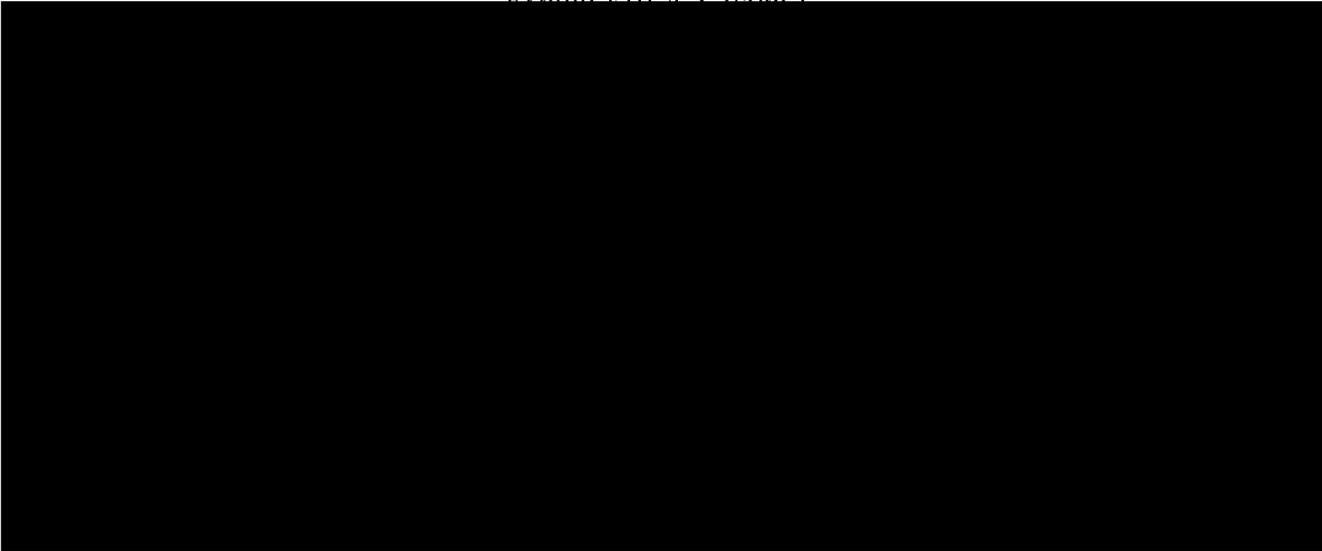
The main risk to the projected business levels are continued competition from the regional gaming marketplace. Tioga Downs has a 100-mile radius with no competing gaming options, but the local market sees significant competition including advertising and promotional offers from Turning Stone Casino in New York and Mohegan Sun at Pocono Downs Casino in Pennsylvania. Both offer full hotel/casino resort offerings with table games and are located in larger population markets. Our review of regional casino player card databases (including Turning Stone Casino) suggests a sizable portion of the Binghamton gaming market is currently playing at competing casinos despite the convenience of Tioga Downs, and our discussions with regional gaming facility managements suggest Mohegan Sun is likely drawing the highest share of play from Tioga's local market of all facilities located outside the Binghamton market.

Tioga Downs primarily expects to mitigate the risks of competition through offering a competitive property closer to the level of its current competition. At present, Tioga Downs is susceptible to losing share to other gaming facilities primarily due to the lack of table games and full slot machines with all the latest and greatest games. In addition, Tioga Downs is competing mostly with gaming facilities which offer a hotel and full resort amenities which can attract higher value customers. Tioga Downs will counter the competitive challenges by utilizing its robust database of gaming patrons to market an expanded and upgraded casino. With almost 8 years of operation, Tioga Downs has a significant base of casino patrons to further entice with a new and improved property. While competing facilities will remain larger with potentially more amenities, Tioga Downs believes the expansion project detailed above will put it on much more level footing and keep many area residents from driving much greater distances to get a quality gaming experience.



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Exhibit VIII A.5 (cont.)



EPR is an NYSE listed company that has been in business since 1997 and has over \$3.5 billion in investments. EPR is a solid partner for the Tioga Downs. There is little financing risk if we were to obtain the Gaming Facility License as EPR has made a commitment for the financing rather than a highly confident letter. Therefore, this project will be built according to this RFA.

