

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

EXECUTIVE SUMMARY

Tioga Downs is uniquely situated to promptly exceed the goals set forth by the Upstate New York Gaming Economic Development Act of 2013 (the "Act"), and as further articulated by the guidelines of this Request For Applications ("RFA"). Submitted with unparalleled genuine community and regional support, Tioga Downs' application for a Gaming Facility License is based upon authentic relationships, civic engagement and a demonstrated commitment to our local and State economies. The project is realistic for the market, sustainable and will serve as a catalyst for economic growth in the Eastern Southern Tier ("Southern Tier") region. Because of its ability to promptly capture local gaming dollars presently spent out of state, Tioga Downs will achieve these goals with minimal cannibalization of existing gaming operations in New York. Tioga Downs is the only Southern Tier region applicant to fulfill the purpose of the Act as articulated in the RFA, namely:

"... to create jobs, reduce unemployment in disadvantaged areas of the State, enhance the State's tourism industry and generate substantial revenue for public education and taxpayer relief."

Tioga Downs is a proven, accomplished and valued Southern Tier institution having spurred job creation, economic growth and community development for nearly a decade. Since completing the redevelopment of a vacant quarter horse track in 2006, Tioga Downs has consistently established a record of sustainable growth and regional leadership, which has led to significant tax revenues to the State and local economies. Annual gross gaming revenues have grown by 65% in the face of a very challenging economy and increased regional gaming competition.

Tioga Downs will utilize its in-depth, in-market knowledge to develop an appropriately sized destination casino resort expansion plan that will recapture gaming revenue lost to neighboring states while also leveraging and expanding existing relationships with local tourism agencies and bureaus, business organizations and area attractions to substantially bolster regional tourism and visitation. Awarding Tioga Downs a Gaming Facility License also assures the Southern Tier that this important employer and civic supporter remains vibrant into the future. Conversely, if another applicant is awarded the Gaming Facility License, the viability of Tioga Downs and Vernon Downs Casino and Hotel ("Vernon Downs") would be severely jeopardized. Tioga Downs will continue to serve as a model corporate citizen. As a civic and community supporter, Tioga Downs and its majority owner Jeff Gural have donated over \$1 million to a wide range of local and regional non-profit organizations, social service providers, school and student groups, and neighborhood associations. Tioga Downs and Jeff Gural, who has long-standing family ties to the region, have had well established reputations as active Southern Tier boosters long before this application process. The award of a full casino license will further expand this commitment through the creation of the Tioga Downs Southern Tier Charitable Foundation, with a minimum annual funding disbursement of \$500,000.

The award of a Gaming Facility License to Tioga Downs will further ensure that Jeff Gural, his partners and Tioga Downs are able fulfill the commitment they made to the Southern Tier a decade ago. Specifically, because of Mr. Gural's devotion to New York's harness racing industry, he and his partners invested \$120 million into two depressed counties to resurrect and rebuild two bankrupt racetracks, Tioga Downs and Vernon Downs. Today, these two facilities employ over 700 people and since their openings have contributed over \$277 million to education funding in the State. Tioga Downs' unwavering support for the Southern Tier region combined with its operational expertise and good corporate citizenship has allowed it to achieve overwhelming levels of public support, contrary to the considerable open public opposition to the projects proposed by the other Southern Tier applicants.

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EXECUTIVE SUMMARY (cont.)

Highlights of the Tioga Downs Project

- The project will be built. There is no risk related to the completion of the project as it combines a solid financing commitment with an established and proven gaming operation that boasts deep and genuine community support.
- The project will within two years generate annual combined gaming and non-gaming revenue in excess of \$122 million.
- The project will generate increased gaming revenues and new jobs quickly, which will lead to increased tax revenues to the region, the State and their citizens;
 - Following the award of a license, existing Video Lottery Terminals will be converted to traditional slot machines within 90 days and a full casino expansion will take place within 180 days; and
 - Resort amenities, including a hotel, spa, event center, new dining venues and lounges will be completed within 12 months.
- The project will generate significant out-of-state revenue and repatriate gaming dollars from New York residents. In fact, Tioga Downs does and will continue to generate over 21% of its revenues from Pennsylvania and other non-New York residents – far exceeding the percentage of any other upstate gaming property.
- The project will continue to spur economic development through additional capital investments.
- The project will generate \$1.1 billion in Gross Regional Product over the first ten years of operation.
- The project will create quality jobs for the economically distressed Southern Tier Region;
 - By 2016, 1,241 operating jobs, both direct and indirect, will be created;
 - Tioga Downs will offer an hourly wage scale starting at \$10.10 per hour;
 - Tioga Downs already has a Collective Bargaining Agreement, a Labor Peace Agreement and a construction Project Labor Agreement in place with organized labor groups; and
 - Tioga Downs has a concrete plan for engaging the services of Minority and Women-owned vendors.
- The project will give back;
 - Tioga Downs has already provided nearly \$1 million to a wide range of local and regional non-profits and social service providers; and
 - Tioga Downs will establish the Tioga Downs Southern Tier Charitable Foundation with a minimum \$500,000 annual funding commitment.
- The project will continue to grow regional tourism through established, on-going and expanded partnerships with chambers of commerce, tourism agencies and regional attractions.
- The project will continue to garner a staggering amount of unqualified community support from businesses, government, individuals and non-profit organizations.

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EXECUTIVE SUMMARY (cont.)

Tioga Downs Casino Resort

The award of a casino license will transform Tioga Downs, which currently offers harness racing and 802 Video Lottery Terminals, into the premier entertainment destination in the Southern Tier. Designed by internationally recognized architects Climans Green Liang Architects Inc. and constructed by New York-based LP Ciminelli, the casino resort will feature:

Gaming

- 1,000 slot machines
- 50 table games
- Live harness racing
- Simulcast wagering
- Lottery games

136 Room Luxury Hotel

- Event Center – flexible space to accommodate meeting rooms, concerts, weddings
- Parking garage (already under construction)
- Fitness and Day Spa
- 5 restaurants, including nationally recognized PJ Clarkes
- 2 lounges
- Indoor and outdoor pools, and waterslide
- 18-hole golf course and country club

In addition, the second phase of the project will add an Adventure Center (battering cages, rock climbing, mini-golf) and Virgil's Real Barbeque and Honky Tonk Restaurant.

Even once fully built out, the site will still boast over 100 acres available for future development.

Tioga Downs' preparedness to quickly commence expanded operations will allow it to be the first to market, which will allow it to quickly begin achieving significant casino revenues and offer expanded employment opportunities. Tioga Downs' ability to achieve such revenues will be further bolstered by its prior marketing efforts and its existing 250,000-person database and current brand awareness. While announcing large-scale casino resort capital projects drives marketplace excitement, expectations often fall short due to lack of an effective database, a brand that does not resonate with customers and plans that are overly ambitious for a particular market. From the multi-billion dollar struggles of The Cosmopolitan (Las Vegas) and Revel (Atlantic City) to smaller but no less painful early days of Rivers (Pittsburgh) and Margaritaville (Biloxi), the importance of an established database, brand and market awareness is paramount and cannot be underestimated. The Tioga Downs project is the right size for this market and Tioga Downs is uniquely positioned to deliver based on its already-developed customer database and its market-proven operational expertise. Tioga Downs' strong relationships with local tourism agencies, established attractions and bureaus as well as local businesses will allow it to grow its brand and continue to attract new customers to its expanded gaming offerings and non-gaming amenities.

Successful casino resort openings are also dependent on the flawless execution of a human resources plan. Tioga Downs will transition seamlessly into a casino resort because of its:

- Knowledge of, and commitment to, the local hiring market;
- Positive union relations including an active Collective Bargaining Agreement, a Labor Peace Agreement and a construction Project Labor Agreement;
- Attractive wage scale, with minimum wage raised to \$10.10 per hour and comprehensive employee benefits;
- Long-term, devoted employees who know and understand the market;
- Tioga Downs has made a commitment to contract with Minority and Women Owned Businesses for a variety of goods and services; and
- Commitment to immediately upon the award of a license implement custom-designed training programs including Tioga Downs-run dealer schools, responsible gaming training programs, partnerships with Broome County Community College and other regional organizations.

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EXECUTIVE SUMMARY (cont.)

Tioga Downs – The Right Choice

The Act was adopted to aid struggling upstate regions and communities. Tioga Downs has been an active catalyst for economic development in the Southern Tier region since 2006, and moving forward with the casino resort expansion plans will continue this forward momentum. Tioga County struggles with high unemployment and the lack of a significant employer base. The combination of high unemployment, low labor participation and increasing poverty rates place the Tioga Downs project in the prime location for creating increased employment opportunities. Its position at the gateway of the Finger Lakes region and proximity to Binghamton, without being in that university city proper, place it squarely in the ideal location. The region has lost 14,000 jobs since 2009 and the region's economy has been in a slow recovery ever since with a current unemployment rate of 7.4%. To this end, the Wall Street Journal recently reported that out of the 10 U.S. cities with the slowest rate of economic growth, one is located in Broome County and one is located in Chemung County. Further, the target demographics for jobs at the expanded casino resort are compatible with the regional commuting population. Counties such as Chemung and Tompkins have a high mobility to access work in neighboring Tioga County and accordingly would benefit from the project. In fact, workers in Chemung County are more than twice as likely to commute to Tioga County than Broome County. Tompkins County residents are 40% more likely to commute to Tioga County than to Broome County. Siting the Southern Tier casino in Nichols, Tioga County would also provide a greater employment benefit to the region than a Seneca County site. Labor force availability is not as strongly present elsewhere, and a casino elsewhere would need to pull employees from non-Southern Tier counties, which would contrast the positive impact on employment in the Southern Tier that the Tioga Downs project offers.

The Act further seeks to expand New York's gaming market and not simply to shift gaming dollars from existing New York Video Lottery Terminal facilities and tribal casinos to new full-scale casinos. Tioga Downs is ideally situated to grow New York's gaming market as it is situated two miles from the Pennsylvania border. Pennsylvania gamers today represent a significant portion of Tioga Downs' existing customer database. An estimated 21% of Tioga Downs' existing total gaming revenue comes from non-New York residents. However, since the opening of a hotel at Mohegan Sun at Pocono Downs in 2013, Tioga Downs has been losing market share. Expanded gaming and amenities at Tioga Downs Casino Resort, including a luxury hotel, spa and golf course, supported by a robust and targeted marketing plan, will recapture and recharge visits from non-New York residents as well as repatriate current New York leisure dollars flowing over state borders.

Ultimately, the selection of Tioga Downs for a Gaming Facility License in the Southern Tier region will ensure that the goals of the Act are not only met, but exceeded. Tioga Downs is ready to move forward with its development immediately upon the award of a license and Tioga Downs is prepared to complete the full expansion of its casino within 180 days following the award of a license with certain planned non-gaming amenities opening within 12 months of the award of the license. Tioga Downs preparedness to expand, its past history of operational success and its unparalleled community support will allow it to enhance the New York tourism industry, generate substantial tax revenue for the region and State - without taking revenue from existing gaming operations in New York - and provide much needed economic benefits for New York residents, particularly those in the Southern Tier.