VIII. ECONOMIC ACTIVITY AND BUSINESS DEVELOPMENT

A. FINANCE AND CAPITAL STRUCTURE

6. CAPITAL AND FINANCING STRUCTURE

Submit as Exhibit VIII. A.6.d. an analysis of how the financing plans for the Application fee, Application and suitability investigation expenses, license fee, capital investment deposit, construction and first three (3) years of operation of the proposed Gaming Facility will affect each Financing Source's compliance with the financial covenants under its current financing arrangements.

The Applicant and its parent have no existing financial covenants. The 50% owner PPE Casino Resorts LLC., likewise has only the covenants in The Cordish Family II credit facility which are general other than the obligation to pay monthly any outstanding obligation under the Loan Agreement. There has been no draw down on this credit facility to date. The individual owners of PPE Casino Resorts have no financial covenants.

OCCR NY Investment LLC, the other 50% owner of the Applicant, has no existing financial covenants. Penn National Gaming Inc., is subject to certain financial covenants.

Penn National's Senior Secured Credit Facility (Credit Facility) does contain certain financial covenants. We have included an electronic copy of the Credit Facility as **Attachment VIII-A-6-d-1,** the Financial Covenants are included in section 10.08. Due to its large size we have not included a hard copy of the credit facility within this application. If the Commission would like one or more hard copies of the Penn Credit Facility please let us know and we will send.

As we discussed in our response to **Question VIII-A-6-a** Penn National has existing financial resources available to finance Penn's 50% portion of this project investment including associated investigation expenses, license fee, capital investment deposit and construction costs. In addition, Penn's existing senior secured credit facility includes a green shoe provision that would allow the company to obtain additional senior debt financing of up to $400 million for development projects under similar terms as its existing credit facility should that be needed. The Live! Hotel & Casino New York project would qualify as a project that could be funded through this green shoe provision. During the development period all capital and related costs of the project are excluded from the financial covenant calculations based on the allowed exemptions from the calculation of the net debt. Such investment may be made without impacting the financial covenants contained within the Credit Facility. We also note that we expect the development to be cash flow positive from its first year of operations and therefore do not anticipate any ongoing negative impact on Penn National remaining in compliance with its financial covenants.

We note that the Credit Facility contains the following definitions related to development projects.

Development Expenses" means, without duplication, the aggregate principal amount, not to exceed $500 million at any time, of (a) outstanding Indebtedness incurred after the Closing Date, the proceeds of which, at the time of determination, as certified by a Responsible Officer of the Borrower, are pending application and are required or intended to be used to fund and (b) amounts spent after the Closing Date (whether funded with the proceeds of Indebtedness, cash flow or otherwise) to fund, in each case, (i) Expansion Capital Expenditures of Borrower or any Restricted Subsidiary, (ii) a Development Project or (iii) interest, fees or related charges with respect to such Indebtedness; *provided* that (A) Borrower or the Restricted Subsidiary or other Person that owns assets subject to the Expansion Capital Expenditure or Development Project, as applicable, is diligently pursuing the completion thereof and has not at any time ceased construction of such Expansion Capital Expenditure or Development Project, as applicable, for a period in excess of 90 consecutive days (other than as a result of a force majeure event or inability to obtain requisite Gaming Approvals or other governmental authorizations, so long as, in the case of any such Gaming Approvals or other governmental authorizations, Borrower or a Restricted Subsidiary or other applicable Person is diligently pursuing such Gaming Approvals or governmental authorizations), (B) no such Indebtedness or funded costs shall constitute Development Expenses with respect to an Expansion Capital Expenditure project or a Development Project from and after the end of the first full fiscal quarter after the earlier of (x) opening for business, and (y) completion of construction of the applicable Expansion Capital Expenditure project or Development Project and (C) in order to avoid duplication, it is acknowledged that to the extent that the proceeds of any Indebtedness referred to in clause (a) above have been applied (whether for the purposes described in clauses (i), (ii) or (iii) above or any other purpose), such Indebtedness shall no longer constitute Development Expenses (it being understood, however, that any such application in accordance with clauses (i), (ii) or (iii) above shall, subject to the other requirements and limitations of this definition, constitute Development Expenses under clause (b) above).

"**Development Project**" shall mean Investments, directly or indirectly, (a) in any Joint Ventures in which Borrower or any of its Restricted Subsidiaries, directly or indirectly, has control or with whom it has a management or similar contract and in which Borrower or any of its Restricted Subsidiaries owns (directly or indirectly) at least 25% of the Equity Interest of such Joint Venture, or (b) in, or expenditures with respect to, casinos and "racinos" or Persons that own casinos or "racinos" (including casinos and "racinos" in development or under construction that are not presently opening or operating with respect to which Borrower or any of its Restricted Subsidiaries has (directly or indirectly through Subsidiaries) entered into a management or similar contract and such contract remains in full force and effect at the time of such Investment), in each case, used to finance, or made for the purpose of allowing such Joint Venture, casino or "racino", as the case may be, to finance, the purchase or other acquisition of any fixed or capital assets or the refurbishment of existing assets or properties that develops, adds to or significantly improves the property of such Joint Venture, casino or "racino" and assets ancillary or related thereto, or the construction and development of a casino, "racino" or assets ancillary or related thereto and including Pre-Opening Expenses with respect to such Joint Venture, casino or "racino".

See the credit agreement for further details.

Attachment included:
Penn Debt Agreement