



THE NEW YORK RACING ASSOCIATION, INC.

Board of Directors Meeting

December 9, 2015



The New York Racing Association, Inc.

Meeting of the Board of Directors
December 9, 2015

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The New York Racing Association, Inc.

Meeting of the Board of Directors

Wednesday, December 9, 2015

3PM

AGENDA

1. Approval of October 21, 2015 Minutes (Resolution)
2. Report of the Vice-Chairman
3. Report of the CEO and President
4. Report of the CFO
 - a. Summary of Financial Condition and Unaudited Results of Operations for Fiscal Quarter Ended September 30, 2015
 - b. 2016 Operating and Capital Budgets
5. Report of the General Counsel
 - a. NYRA's Compliance with NYS Performance Metrics in 2013 and 2014
6. Committee Reports
 - a. Compensation Committee
 - b. Finance & Audit Committee
7. Dates for 2016 Board of Directors Meetings
8. New Business

Adjournment

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DRAFT UNAPPROVED MINUTES OF THE MEETING
of
THE BOARD OF DIRECTORS
of
THE NEW YORK RACING ASSOCIATION, INC.

October 21, 2015 at 1:30 p.m.

A regular meeting of the Board of Directors (the “Board”) of The New York Racing Association, Inc. (“NYRA”) was conducted on October 21, 2015, at 1:30 p.m. in the 37th Floor Conference Room of the Office of the NYS Empire State Development Corporation, located in New York, New York pursuant to notice duly given.

The following Directors and Special Advisors were present (either in person or via teleconference):

Stuart Subotnick
Michael Dubb
C. Steven Duncker
Robert Flay
Marc Holliday
Stuart S. Janney, III
Georgeanna Nugent Lussier
Earle Mack
Chris Mara
Robert Megna
Leonard Riggio
Andrew Rosen
Joseph Spinelli
Vincent Tese

Chester Broman, *ex officio*
Richard A. Violette, Jr., *ex officio*

John Hendrickson, *Special Advisor on Saratoga*

The following were not present:

Michael J. Del Giudice, *Vice Chair*
Michael Kotlikoff, *Special Advisor on Equine Health and Safety*

Also present were Christopher Kay, CEO and President; Joseph J. Lambert, Senior Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary; Glen Kozak, Vice President of Facilities & Racing Surfaces; Martin Panza, Senior Vice President of Racing Operations; Lynn LaRocca, Senior Vice President of Racing Operations;

John Durso, Jr., Director of Communications and Media Relations; and Virginia Kellner, Assistant Director of Communications.

The meeting was called to order. Mr. Lambert recorded the minutes. A roll call of the Directors and Special Advisors was conducted.

Report of the Vice Chairman

Upon motion, duly made and seconded, the Board unanimously approved Stuart Subotnick as the presider of the meeting, in the absence of Michael Del Giudice, Vice Chair of the NYRA Board.

Mr. Subotnick welcomed new Board Member, Georgeanna Nugent Lussier, who was appointed by the New York State Assembly Leader to replace former Member Rick Cotton following Mr. Cotton's departure from the NYRA Board.

Mr. Subotnick also welcomed Chris Mara, selected by the Class A Directors, to his first meeting as a Board Member and expressed his appreciation for the expertise Mr. Mara brings to the NYRA Board.

Approval of August 13, 2015 Minutes

The Board discussed the minutes of the August 13, 2015 meeting of the NYRA Board of Directors. Upon motion, duly made and seconded, the Board unanimously approved the minutes of the August 13, 2015 meeting, without dissent or abstentions, and directed that the minutes be added to the permanent records of the corporation. A copy of the resolution is attached hereto as *Exhibit 1*.

Approval of Committee Assignments

Mr. Spinelli informed the Board that the Nominations & Governance Committee met to review and discuss the Board committee structure and assignments. A copy of the list of assignments is attached hereto as *Exhibit 2*. Mr. Spinelli reported that the Committee discussed the 2016 Committee priorities, including to: (i) initiate Committee self-assessments; (ii) develop a list of potential Board candidates; (iii) maintain best practices for governance; and (iv) approve the Franchise Oversight Board Performance Assessments.

Mr. Spinelli next reported on the Nominations & Governance Committee's discussion of the significant overlap between the Finance Committee and the Audit & Compliance Committee and the efficiencies of combining such committees. Mr. Spinelli informed the Board that the Committee approved the merger of the Finance and Audit & Compliance Committees into a single committee to be called the "Finance and Audit Committee" and recommend the same for approval by the Board.

Upon motion, duly made and seconded, the Board unanimously approved the Committee assignments, as presented to the Board at its meeting, and further approved the consolidation of the Finance Committee and the Audit & Compliance Committee into a single committee to be called the Finance and Audit Committee. A copy of the resolution is attached hereto as *Exhibit 2*.

Report of the Chief Executive Officer and President

Mr. Kay presented his report to the Board in which he reviewed the 2015 Saratoga Summer Meet. Mr. Kay informed the Board that the meet was historically successful, with attendance up 9.7% over the prior year. As a result, all sources handle rose 13.2%, and revenues from food, beverage and merchandise were up 13.8% over 2014 results. Mr. Kay attributed the success of the meet to a number of factors, most notably NYRA's enhancements to the guest experience and improvements in the quality of racing.

Mr. Kay reminded the Board of the new attractions and programs in place for this year's Saratoga meet, designed to positively affect the guest experience. These included the Saratoga Race Course Walk of Fame, Fourstardave, the new state-of-the art sports bar at the lower Carousel with 40 HD television screens, and the new Tom Durkin Replay Center.

Mr. Kay then introduced Mr. Kozak who provided a detailed report on the improvements to the NYRA facilities, including the irrigation upgrade and renovation of the dorms at Saratoga Race Course. Mr. Kozak next described the renovations at Belmont Park, which include barn expansions, new dorm construction and renovations to existing dorms, as well as renovations being made at Aqueduct Racetrack, including the new Horsemen's Lounge and the installation of surveillance cameras in the receiving barns.

Mr. Kay next introduced Mr. Panza who presented the Racing Report, including an analysis of racing statistics for the Saratoga meet, which identified a number of positive trends. Mr. Panza further noted the new isolation barn at Saratoga Race Course, which will allow European horses to more easily travel to Saratoga for the race meet and creates an additional opportunity to attract quality horses to the NYRA tracks.

Ms. LaRocca then provided a detailed reported on the Fan Engagement Survey conducted at Saratoga Race Course earlier this year. Ms. LaRocca reported on the valuable results and opportunities for improvements in growth identified by the survey, including the need to increase NYRA's fan base in the 18 to 25 year old age demographic and further opportunities for the creation of partnerships with local businesses. Ms. LaRocca further noted that the results of the survey revealed the tremendous appeal of the Saratoga meet, with 82% of survey respondents rating their Saratoga experience a 9 or 10 on a scale of 1 to 10.

Next, Mr. Kay described 2015 Triple Crown winner American Pharoah's memorable visit to Saratoga Race Course and the incredible fan reaction, including thousands who gathered to watch his morning work prior to the Travers Stakes. Mr. Kay further discussed the favorable weather that greatly contributed to the success of the Saratoga Summer Meet. Mr. Kay then reviewed the 2015 Belmont Park Fall Meet through the first 16 days and noted the strong beginning with on-track handle and all source handle up 10.4% over last year.

Report of the Chief Financial Officer

In Ms. Stover's absence, Mr. Kay provided the financial update, reporting on NYRA's third quarter 2015 and year-to-date 2015 financial results, including net income, net revenue from racing operations, operating and non-operating expenses, and VLT revenue.

Mr. Kay further reported on the 2015 results from Saratoga, noting a record breaking total of all sources handle of \$697.6 million—a 13.2% increase over last year and a 13.9% increase over budget. In addition, Mr. Kay reported on the growth in popularity of the two marquee Saratoga events, Whitney Day and Travers Day which saw an increase in handle over the prior year of over \$1.5 million and \$9.8 million, respectively.

The Board discussed NYRA's third quarter 2015 and year-to-date 2015 results, noting that NYRA remains on track to meet its 2015 budget and achieve an operating profit for the second straight year. In addition, the Board discussed the results of the first 28 days of the 2015 Belmont Fall Meet which exceeded budget and expectations and further discussed the expected results for the full race meet.

Committee Reports

a. Compensation Committee

Mr. Tese provided the report of the Compensation Committee. Mr. Tese reported that the Committee met to review and discuss executive compensation levels and noted that an executive compensation company is currently undertaking a review of NYRA's executive compensation and, while initial data indicates that compensation of NYRA executives remains below industry averages, further research is required in this area. Mr. Tese further reported that the Committee discussed its priorities for 2016, which include the development of a bonus plan, the determination of a more market-competitive executive compensation program, and the execution of training programs. In addition, Mr. Tese informed the Board that the Committee discussed and approved the extension of NYRA CEO Christopher Kay's employment agreement through December 31, 2016 on essentially the same terms and conditions as contained in Mr. Kay's existing employment agreement.

b. Equine Safety Committee

Mr. Holliday provided the report of the Equine Safety Committee. Mr. Holliday reported that the Committee met to review and discuss the status of equine and jockey safety at Belmont, Aqueduct and Saratoga racetracks and noted that, for much of 2015, NYRA has been below the national average for racing fatalities. Mr. Holliday informed the Board that the Committee received a report from Glen Kozak, Vice President of Facilities & Racing Surfaces, on improvements undertaken at each of the three racetracks meant to reduce risks and enhance the safety of jockeys and equine athletes. In addition, Mr. Holliday noted the Committee's discussion on the issue of whether it is appropriate to install synthetic track surfaces at Aqueduct and in the jogging barn at Belmont Park, as well as the industry need for state-of-the-art drug testing facilities. Mr. Holliday also reported that the Committee discussed research regarding the administration of furosemide to race horses and a request from the Grayson-Jockey Club Research Foundation for funds to support further research, a joint initiative with other tracks to which NYRA has already contributed the sum of \$15,000. Lastly, Mr. Holliday noted the 2016 Committee priorities discussed at the meeting, which include the continuation of further discussion of an effective testing program, participation in Lasix trials, and the recommendation of a poly surface.

c. Nominations & Governance Committee

The Board noted that Mr. Spinelli delivered his Committee report during the aforementioned discussion of the new Committee assignments.

d. Racing Committee

Mr. Riggio provided the report of the Racing Committee. Mr. Riggio informed the Board that the Committee discussed and approved NYRA's racing schedule for 2016, which schedule has the support of the New York Thoroughbred Breeders, Inc. and the New York Thoroughbred Horsemen's Association and that the Committee further approved the 2016 Winter/Spring Stakes Schedules for Aqueduct Racetrack. Mr. Riggio noted the Committee's discussion and analysis of the NYRA purse account for the 2015 Saratoga Meet, and that the Committee found NYRA's purse cushion to be satisfactory. Mr. Riggio next reported that the Committee discussed the ARCI model rules concerning minimum penalties for multiple medication violations, which the NYSGC has approved in a proposed rule currently under review by the Governor's Office. Mr. Riggio informed the Board that the Committee expressed its strong support for the adoption of the uniform rules. Lastly, Mr. Riggio reported that the Committee discussed the New York Jockey Injury Compensation Fund, including the significant increase in premiums, the potential for self-insurance, and options under consideration for the short term.

Adjournment

The Chairman called for additional business. There being no further business to come before the Board, the meeting was concluded at 2:38 p.m.

Joseph J. Lambert

AUGUST 13, 2015 BOARD OF DIRECTORS MEETING MINUTES RESOLUTION

IT IS HEREBY RESOLVED, that the NYRA Board of Directors, having had full opportunity to inquire, consider, and understand, does hereby approve the minutes of the regular August 13, 2015 Board of Directors meeting and the minutes are ordered to be added to the permanent records of the corporation.

NYRA BOARD OF DIRECTORS COMMITTEE ASSIGNMENT RESOLUTION

IT IS HEREBY RESOLVED, that upon the recommendation of the Nominations and Governance Committee, the NYRA Board of Directors, having had full opportunity to inquire, consider, and understand, does hereby approve the NYRA Board of Directors Committee assignments, as presented to the Board at its meeting, and further approves the consolidation of the Finance Committee and the Audit & Compliance Committee into a single committee to be called the Finance and Audit Committee.



THE NEW YORK RACING ASSOCIATION, INC.
2015 REORGANIZATION BOARD COMMITTEES
(as of October 12, 2015)

Executive Committee*

Michael Del Giudice**
Michael Dubb
Leonard Riggio
Joseph Spinelli
Stuart Subotnick
Vincent Tese

Compensation Committee

Vincent Tese, *Chair*
C. Steven Duncker
Stuart Janney
Georgeanna Nugent Lussier
Earle Mack
Joseph Spinelli

Equine Safety Committee

Marc Holliday, *Chair*
Dr. Michael Kotlikoff, *Special Advisor*
Bobby Flay
John Hendrickson
Stuart Janney
Earle Mack
Richard Violette, *ex officio*
Chester Broman, *ex officio*

Finance & Audit Committee

Stuart Subotnick, *Chair*
C. Steven Duncker
Stuart Janney
Robert Megna
Andrew Rosen
Richard Violette, *ex officio*

Nominations and Governance Committee

Joseph Spinelli, *Chair*
Michael Del Giudice
Marc Holliday
Chris Mara
Robert Megna

Racing Committee

Leonard Riggio, *Chair*
C. Steven Duncker
Bobby Flay
Andrew Rosen
Stuart Subotnick
Richard Violette, *ex officio*

Long Term Planning Committee

Michael Dubb (*Co-Chair*)
Bobby Flay (*Co-Chair*)
Michael Del Giudice
Marc Holliday
Georgeanna Nugent Lussier
Chris Mara

* As of June 2, 2015 Anthony J. Bonomo has taken a leave of absence from the Board and as Chair thereof. During his absence Mr. Del Giudice, Vice Chair, will preside over meetings of the Executive Committee

** In addition to chairing the Executive Committee, the Board Chairman shall serve as an ex officio member of all committees.

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The New York Racing Association, Inc.

Summary of Financial Condition and Unaudited Results of Operations For the Three and Nine Months Ended September 30, 2015 Compared to Budget and the Three and Nine Months Ended September 30, 2014

Management Discussion and Analysis



**Management Discussion & Analysis
For the Three Months Ended September 30, 2015
Compared to Budget and Prior Year**

EXECUTIVE SUMMARY

- **Quarterly Results**

NYRA earned \$20.5 million of operating income from racing operations before VLT funds, \$1.4 million more than budgeted and \$4.0 million higher than last year. The favorable results from budget were due to \$3.7 million higher net racing revenue offset by \$2.3 million unfavorable operating expenses. Compared to prior year, net revenue was \$6.4 million higher offset by \$2.4 million increased operating expenses. These increases were primarily due to the historic success of the Saratoga meet as well as the impact of one more race day in the period compared to last year.

NYRA earned \$30.0 million of VLT revenue, \$513K more than budget and \$587K higher than last year due to an increase in the average number of machines in service at Resorts World Casino from 5,003 in Q3 2014 to an average of 5,120 machines in Q3 2015. Actual win per machine (WPM) averaged \$441 in Q3 2015 compared to \$442 in Q3 2014. Results were budgeted in line with the prior year. Non-operating expenses totaling \$14.8 million were \$2.1 million unfavorable to budget due to \$2.6 million higher income tax expense partially offset by lower retiree benefits. Non-operating expenses were \$1.0 million higher than prior year primarily due to a \$2.2 million increase in income tax expense, partially offset by decreases in pension and retiree benefits.

NYRA earned net income of \$20.3 million, \$494K unfavorable to budget and \$3.2 million higher than last year.

During the quarter, NYRA spent \$9.9 million on capital improvements including \$2.8 million budgeted in the prior year. Barn area improvements included expansion of multiple barns and construction of new dormitories at Belmont, dormitory and pony barn renovations in Saratoga and installation of cameras at Aqueduct. Guest area improvements included new backyard video boards and renovations to the carousel in Saratoga, pedestrian walkway to the LIRR at Belmont and construction of an enclosure for the horsemen at Aqueduct.

Based on information provided by Equibase, for the three months ended September 30, 2015, wagering on U.S. races increased 3.7% compared to a 12.0% increase in wagering on NYRA races. NYRA contributed 4.6% of total industry race days, offered 17.8% of purses and generated 32.3% of thoroughbred handle across the United States. Every dollar invested in purses at NYRA during the quarter yielded \$15.17 in handle compared to \$8.38 industry-wide.

- **Year-to-Date Results**

For the nine months ended September 30, 2015, NYRA earned operating income from racing operations of \$14.4 million before VLT funds, \$2.4 million favorable to budget and \$2.7 million higher than last year. Compared to budget net wagering revenue was \$4.0 million favorable, offset by \$1.6 million higher than anticipated operating expenses. Compared to last year net racing revenue was \$4.7 million higher, offset by a \$1.9 million increase in operating expenses.

NYRA earned \$133.7 million of net revenue from racing operations, \$4.0 million favorable to budget and \$4.7 million higher than the same period last year. The favorable variance from budget is due to \$3.7 million higher than expected results in Q3 driven by the Saratoga meet, \$3.0 million higher net revenue from racing operations on Belmont Stakes Day (Triple Crown potential is not budgeted), offset by \$2.0 million lower than expected results for Q2 excluding Belmont Stakes Day, and \$667K lower than expected results in the first quarter due to the impact of extreme weather conditions. The \$4.7 million increase in revenue from the prior year is primarily due to a \$6.4 million increase in revenue during the Q3 Saratoga meet and a \$1.7 million increase on Belmont Stakes Day due to increased interstate host fee rates, price increases on parking, admissions, reserved seats and hospitality areas and increased sponsorship revenue offset by a \$3.0 million decrease in the first quarter due to extreme weather conditions and a \$0.4 million decrease in Q2 driven by other and on-track racing related revenues excluding Belmont Stakes Day.

Operating expenses of \$119.3 million were \$1.6 million unfavorable to budget primarily due to \$983K of costs associated with not closing the Aqueduct Training Center (budgeted to be closed May 15 through the end of October but actual closure was July 20 through Sept 2), \$820K unfavorable repairs & maintenance expense related to winter track maintenance, and manure removal, \$456K temporary help & outside services (temps and training costs associated with Belmont Stakes Day and for the Saratoga meet), offset by \$546K savings in long term planning consulting. In addition, marketing expense is \$430K favorable to budget due to deferring spending and there was \$200K bad debt expense for Old NYRA workers compensation insurance.

Operating expenses increased \$1.9 million compared to the prior year due to \$1.2 million increased labor expense (\$678K in non union labor due to filling of open positions in the IT and Marketing and \$560K in union labor costs associated with winter track maintenance and lower capitalized fringe), \$1.1 million increased marketing & advertising expense (increased online and NYRA Rewards advertising, ad agency fees and marketing events), \$793K increased telephone due to implementation of GBE in the third quarter of 2014, a \$557K increase due to a favorable sales tax audit adjustment in the PY, a \$488K related to prior year workers compensation audit adjustments, \$1.6 million decreased NYRA's cable contract expense, and \$1.0 million decreased consulting fees (long term planning).

NYRA earned \$89.5 million in VLT revenue, 2.8% higher than budget and last year due to a \$10 (2.3%) increase in WPM results at Resorts World. Resorts World also had an average of 5,045 machines in service YTD September 2015, 42 more than their average of 5,003 machines YTD September 2014. Non-operating expenses were \$1.7 million unfavorable to budget and \$771K lower than the prior year. Compared to budget, non-operating expenses were \$1.7 million higher due to \$3.3 million higher income tax expense with higher pretax income, offset by \$1.5 million lower retiree benefit expense due to updated actuarial estimates. Compared to prior year, non-operating expenses were \$771K lower due to \$4.1 million decreased pension expense and \$1.4 million decreased retiree benefits expense, offset by \$3.1 million increased income tax expense and \$1.7 million increased depreciation expense due to new capital improvements.

NYRA earned net income of \$30.7 million, \$1.9 million favorable to budget and \$4.7 million higher compared to last year.

For the nine months ended September 2015, NYRA spent \$24.3 million on capital improvements including \$7.2 million related to prior year projects.

**NYRA HANDLE AND OTHER RELEVANT STATISTICS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015
COMPARED TO BUDGET AND PRIOR YEAR**

STATISTICAL HANDLE HIGHLIGHTS

	For the Three Months		Change		2014	Change	
	Ended September 30th		\$	%		\$	%
	2015	BUDGET					
RACING DAYS	69	69	0	0.0%	68	1	1.5%
ON-TRACK HANDLE COMPONENTS							
ACCOUNT WAGERING: PHONE	\$13,418,863	\$14,415,382	-\$996,519	-6.9%	\$14,191,780	-\$772,916	-5.4%
INTERNET	50,396,291	43,015,607	7,380,684	17.2%	40,788,969	9,607,322	23.6%
BELMONT	8,160,102	9,609,833	-1,449,731	-15.1%	9,000,985	-840,883	-9.3%
AQUEDUCT	7,982,713	10,760,140	-2,777,427	-25.8%	10,087,092	-2,104,380	-20.9%
SARATOGA	12,332,247	14,980,022	-2,647,775	-17.7%	14,964,883	-2,632,636	-17.6%
TOTAL ADW (PHONE, INTERNET & ON-TRACK)	\$92,290,215	\$92,780,983	-\$490,768	-0.5%	\$89,033,709	\$3,256,507	3.7%
SARATOGA	103,382,440	99,767,802	3,614,638	3.6%	99,186,905	4,195,535	4.2%
BELMONT	28,529,332	28,190,727	338,605	1.2%	28,741,070	-211,738	-0.7%
AQUEDUCT	40,042,727	40,148,051	-105,325	-0.3%	39,915,082	127,645	0.3%
TOTAL NYRA ON-TRACK HANDLE	\$264,244,714	\$260,887,564	\$3,357,150	1.3%	\$256,876,765	\$7,367,949	2.9%
DAILY AVERAGE ON-TRACK HANDLE	\$3,829,634	\$3,780,979	\$48,654	1.3%	\$3,777,599	\$52,034	1.4%
OFF-TRACK HANDLE (EXPORT)							
NYOTB DOWNSTATE	\$38,664,872	\$36,064,769	\$2,600,103	7.2%	\$38,320,590	\$344,282	0.9%
NYOTB UPSTATE	32,412,940	30,024,661	2,388,279	8.0%	29,680,652	2,732,288	9.2%
NY INTER-TRACK WAGERING	16,951,872	15,292,809	1,659,063	10.8%	15,513,752	1,438,120	9.3%
OUT-OF-STATE	630,291,595	547,624,617	82,666,978	15.1%	544,148,871	86,142,724	15.8%
INTERNATIONAL SEPARATE POOL	8,817,086	7,068,965	1,748,121	24.7%	7,411,752	1,405,334	19.0%
TOTAL OFF-TRACK (EXPORT)	\$727,138,366	\$636,075,821	\$91,062,545	14.3%	\$635,075,617	\$92,062,748	14.5%
DAILY AVERAGE OFF-TRACK HANDLE	\$10,538,237	\$9,218,490	\$1,319,747	14.3%	\$9,339,347	\$1,198,890	12.8%
TOTAL HANDLE	\$991,383,080	\$896,963,385	\$94,419,696	10.5%	\$891,952,383	\$99,430,697	11.1%
DAILY AVERAGE TOTAL HANDLE	\$14,367,871	\$12,999,469	\$1,368,401	10.5%	\$13,116,947	\$1,250,924	9.5%

Proforma Unaudited Non-GAAP Income Statement for the Three Months Ended September 30, 2015 Compared to Budget and Prior Year

(in thousands)	For the Three Months Ended September 30		Change		2014	Change	
	2015	Budget	\$	%		\$	%
HANDLE & ATTENDANCE							
Race Days	69	69	-	0.0%	68	1	1.5%
Attendance (Live Track)	1,162,350	1,078,740	83,610	7.8%	1,061,339	101,011	9.5%
Total Handle (in thousands)	\$991,383	\$896,963	\$94,420	10.5%	\$1,891,952	(\$900,569)	-47.6%
RACING RELATED REVENUE							
On-Track	\$48,309	\$47,441	\$868	1.8%	\$46,283	\$2,026	4.4%
Export revenue	44,217	38,582	5,635	14.6%	37,683	6,534	17.3%
New York OTB	7,555	7,199	356	4.9%	7,501	54	0.7%
Gross pari-mutuel revenue	100,081	93,222	6,859	7.4%	91,467	8,614	9.4%
Less: Statutory and other							
Rewards Rebate	1,538	1,718	(180)	(10.5%)	1,670	(132)	(7.9%)
Stakes and Purses	41,400	38,052	3,348	8.8%	37,433	3,967	10.6%
Other Statutory payments	6,887	6,825	62	0.9%	6,688	199	3.0%
Total Statutory and other	49,825	46,595	3,230	6.9%	45,791	4,034	8.8%
Net wagering revenue	50,256	46,627	3,629	7.8%	45,676	4,580	10.0%
Other revenue	7,043	6,474	569	8.8%	5,560	1,483	26.7%
On track racing related revenue, net	11,597	12,131	(534)	(4.4%)	11,225	372	3.3%
Net Revenue from Racing Operations	68,896	65,232	3,664	5.6%	62,461	6,435	10.3%
OPERATING EXPENSES							
Labor Expense	24,386	23,471	915	3.9%	23,308	1,078	4.6%
Operating Supplies	932	805	127	15.8%	797	135	16.9%
Utilities	1,419	1,283	136	10.6%	1,421	(2)	(0.1%)
Temporary Help and Outside Services	5,837	5,574	263	4.7%	5,630	207	3.7%
Cable contract	125	125	0	0.0%	653	(528)	(80.9%)
Telephone & Communications	1,966	1,990	(24)	(1.2%)	1,642	324	19.7%
Professional fees:							
Legal	418	418	0	0.0%	197	221	112.2%
Consulting	482	538	(56)	(10.4%)	544	(62)	(11.4%)
TOTE Expense	548	540	8	1.5%	535	13	2.4%
Rentals & Leases	1,140	1,079	61	5.7%	1,227	(87)	(7.1%)
Repairs & Maintenance	2,567	2,071	496	23.9%	2,216	351	15.8%
Insurance	2,269	2,021	248	12.3%	2,022	247	12.2%
Marketing & Advertising	2,305	2,278	27	1.2%	1,657	648	39.1%
Other expenses	3,982	3,899	83	2.1%	4,080	(98)	(2.4%)
Total Operating Expenses	48,376	46,092	2,284	5.0%	45,929	2,447	5.3%
Operating Income/ (Loss) from Racing	20,520	19,140	1,380	7.2%	16,532	3,988	24.1%
Plus: Net VLT Revenue (net of Purses)*	14,541	14,292	249	1.7%	14,256	285	2.0%
Total Operating Income/ (Loss)	35,061	33,432	1,629	4.9%	30,788	4,273	13.9%
Less: Non-Operating Expenses	14,761	12,638	2,123	16.8%	13,732	1,029	7.5%
NET INCOME/ (LOSS)	\$20,300	\$20,794	(\$494)	(2.4%)	\$17,056	\$3,244	19.0%

*Third Quarter Gross VLT Revenue totaled \$30.0 million for 2015, compared to \$29.5 million budgeted and \$29.4 million for 2014.

*Third Quarter VLT Purses paid (not included in Net VLT Revenue) totaled \$15.2 million for 2015, compared to \$14.9 million budgeted and \$14.9 million for 2014.

*Third Quarter VLT Funded Jockey Health Insurance (not included in Net VLT Revenue) totaled \$231K for 2015, compared to \$227K budgeted and \$227K for 2014.

Proforma Unaudited Non-GAAP Income Statement for the Nine Months Ended September 30, 2015 Compared to Budget and Prior Year

(in thousands)	For the Nine Months Ended September 30				Change		
	2015	Budget	\$	%	2014	\$	%
HANDLE & ATTENDANCE							
Race Days	174	180	(6)	-3.3%	185	(11)	-5.9%
Attendance (Live Track)	1,581,249	1,533,100	48,149	3.1%	1,567,089	14,160	0.9%
Total Handle (in thousands)	\$2,008,905	\$1,942,245	\$66,661	3.4%	\$2,003,134	\$5,771	0.3%
RACING RELATED REVENUE							
On-Track	\$94,616	\$95,059	(\$443)	(0.5%)	\$95,159	(\$543)	(0.6%)
Export revenue	89,976	84,495	5,481	6.5%	86,272	3,704	4.3%
New York OTB	19,265	18,622	643	3.5%	20,360	(1,095)	(5.4%)
Gross pari-mutuel revenue	203,857	198,176	5,681	2.9%	201,791	2,066	1.0%
Less: Statutory and other							
Rewards Rebate	3,173	3,731	(558)	(15.0%)	3,523	(350)	(9.9%)
Stakes and Purses	86,553	83,995	2,558	3.0%	85,438	1,115	1.3%
Other Statutory payments	13,393	13,685	(292)	(2.1%)	13,662	(269)	(2.0%)
Total Statutory and other	103,119	101,411	1,708	1.7%	102,623	496	0.5%
Net wagering revenue	100,738	96,765	3,973	4.1%	99,168	1,570	1.6%
Other revenue	15,604	14,981	623	4.2%	13,365	2,239	16.8%
On track racing related revenue, net	17,335	17,922	(587)	(3.3%)	16,458	877	5.3%
Net Revenue from Racing Operations	133,677	129,668	4,009	3.1%	128,991	4,686	3.6%
OPERATING EXPENSES							
Labor Expense	65,816	65,588	228	0.3%	64,636	1,180	1.8%
Operating Supplies	2,208	2,248	(40)	(1.8%)	2,296	(88)	(3.8%)
Utilities	5,127	4,865	262	5.4%	5,317	(190)	(3.6%)
Temporary Help and Outside Services	9,461	8,894	567	6.4%	9,254	207	2.2%
Cable contract	375	375	0	0.0%	1,938	(1,563)	(80.7%)
Telephone & Communications	5,316	5,497	(181)	(3.3%)	4,523	793	17.5%
Professional fees:							
Legal	1,253	1,253	0	0.0%	982	271	27.6%
Consulting	1,355	1,901	(546)	(28.7%)	2,355	(1,000)	(42.5%)
TOTE Expense	1,614	1,608	6	0.4%	1,594	20	1.3%
Rentals & Leases	2,362	2,162	200	9.3%	2,444	(82)	(3.4%)
Repairs & Maintenance	6,493	5,481	1,012	18.5%	6,230	263	4.2%
Insurance	6,198	6,067	131	2.2%	5,710	488	8.5%
Marketing & Advertising	4,301	4,731	(430)	(9.1%)	3,217	1,084	33.7%
Other expenses	7,388	7,028	360	5.1%	6,831	557	8.2%
Total Operating Expenses	119,267	117,698	1,569	1.3%	117,327	1,940	1.7%
Operating Income/(Loss) from Racing	14,410	11,970	2,440	20.4%	11,664	2,746	23.5%
Plus: Net VLT Revenue (net of Purses)*	43,446	42,262	1,184	2.8%	42,228	1,218	2.9%
Total Operating Income/(Loss)	57,856	54,232	3,624	6.7%	53,892	3,964	7.4%
Less: Non-Operating Expenses	27,115	25,435	1,680	6.6%	27,886	(771)	(2.8%)
NET INCOME/(LOSS)	\$30,741	\$28,797	\$1,944	6.8%	\$26,006	\$4,735	18.2%

*YTD Gross VLT Revenue totaled \$89.5 million for 2015, compared to \$87.1 million budgeted and \$87.0 million for 2014.

*YTD VLT Purses paid (not included in Net VLT Revenue) totaled \$45.4 million for 2015, compared to \$44.2 million budgeted and \$44.3 million for 2014.

*YTD VLT Funded Jockey Health Insurance (not included in Net VLT Revenue) totaled \$691K for 2015, compared to \$672K budgeted and \$455K for 2014.

Note: VLT jockey health insurance was statutorily implemented April 1, 2014.

The New York Racing Association, Inc.

2016 Operating and Capital Budget

Management Discussion and Analysis



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FORWARD LOOKING STATEMENT

The factors affecting NYRA's financial condition are complex. This document contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time they were prepared. Since many factors may materially affect fiscal and economic conditions for NYRA, the inclusion in this document of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. Forecasts, projections and estimates are not intended as representations of fact or guarantees of results. The words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” and analogous expressions are intended to identify forward-looking statements in this document. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of NYRA.

EXECUTIVE SUMMARY

In 2016, NYRA will continue to examine each area of its business and have a disciplined focus on cost reduction. NYRA will also continue to proactively manage our allocation of revenue, aligned with the commitment to improve the fiscally viable foundation established in 2014 and 2015. NYRA is budgeting an operating profit from racing operations of \$2.3 million exclusive of VLT operating funds, compared to an operating profit of \$2.2 million budgeted in 2015. NYRA is currently projecting a higher net profit as it benefited from two events in 2015 that had a substantial impact on profitability compared to budget. The Triple Crown Belmont Stakes Day and the historic and record breaking Saratoga Summer Meet aided NYRA in surpassing budgeted operating profit expectations. NYRA has used a conservative approach in preparing the 2016 operating budget, one predicated on the use of data derived from the last decade of our operations as well as trends, opportunities and risks we foresee for the future.

While maintaining a conservative operating plan, NYRA intends to build upon the success of the prior two years and make strategic investments in its operations that will continue to strengthen the company. These key investments include developing a second simulcast feed and marketing for New York advanced deposit wagering (ADW) and other channels.

NYRA's operating expenses are increasing due to labor as well as the costs associated with key investments. However, NYRA is also focused on reducing operating expenses to offset these increased expenses. In this regard, NYRA plans to close Aqueduct's training center during non-racing months (May 8, 2016 through August 31, 2016 compared to July 20, 2015 through September 3, 2015) and implement process efficiencies throughout the organization.

Risks to Achieving the Operating Budget

There are risks to achieving the operating budget including potential increases in union costs. Other risks include weather, impact of legislation, competitive pressures from external ADWs, the success of changes to NYRA's own ADW, success of marketing/sponsorship initiatives, growth or reduction in alternative sports wagering platforms, success of other strategic initiatives, the continued stability of the New York OTB network (i.e. Suffolk bankruptcy and other struggles) and effect of price increases among others.

Capital Expenditures

The 2016 Capital Spending Budget totals \$44.1 million and includes projects that will continue to improve the guest experience, improve the quality of life and the safety of backstretch workers, IT upgrades and improvements to the infrastructure of all three tracks. NYRA expects to receive \$32.9 million of VLT revenue dedicated to capital spending in 2016 and expects a cash carryover from 2015 in the amount of \$16.0 million for a total of \$48.9 million available to NYRA.

VLT Funds for Stakes & Purses

NYRA expects to receive \$61.0 million of VLT revenue for stakes and purses of which \$60.1 million will be used to fund purses and \$912,000 will be dedicated to jockey health insurance. These monies are used to promote New York bred races, which creates more jobs in NY and to create "big event" days to generate greater tourism in NY.

**NYRA HANDLE AND OTHER RELEVANT STATISTICS
2016 BUDGET COMPARED TO 2015 BUDGET AND 2015 FORECAST**

**HANDLE
Live On-Track, Export, Import**

(in thousands)	BUDGET 2016	% Share	BUDGET 2015	% Share	FORECAST 2015	% Share	4 YEAR AVERAGE	% Share	% BUD 2016 vs BUD 2015	% BUD 2016 vs FRCST 2015	% BUD 2016 vs 4 YEAR AVG.
AQUEDUCT WINTER											
Race dates	62		67		60		69		-7%	3%	-10%
Live	\$51,991	10%	\$60,460	12%	\$47,965	11%	\$59,136	11%	-14%	8%	-12%
Export	\$344,411	69%	\$360,265	69%	\$306,352	67%	\$378,233	70%	-4%	12%	-9%
Import	\$102,584	21%	\$97,754	19%	\$101,868	22%	\$102,041	19%	5%	1%	1%
Total Handle	\$498,986	100%	\$518,479	100%	\$456,185	100%	\$539,410	100%	-4%	9%	-7%
BELMONT SPRING											
Race dates	54		59		59		56		-8%	-8%	-4%
Live	\$84,536	12%	\$90,647	13%	\$88,293	12%	\$84,763	13%	-7%	-4%	0%
Export	\$527,583	77%	\$527,843	77%	\$559,447	78%	\$512,342	77%	0%	-6%	3%
Import	\$73,404	11%	\$70,348	10%	\$71,790	10%	\$69,191	10%	4%	2%	6%
Total Handle	\$685,523	100%	\$688,838	100%	\$719,530	100%	\$666,296	100%	0%	-5%	3%
SARATOGA											
Race dates	40		40		40		40		0%	0%	0%
Live	\$152,256	23%	\$151,088	25%	\$157,648	23%	\$151,532	24%	1%	-3%	0%
Export	\$458,459	70%	\$419,474	69%	\$498,474	71%	\$451,370	70%	9%	-8%	2%
Import	\$41,910	6%	\$41,611	7%	\$41,492	6%	\$40,021	6%	1%	1%	5%
Total Handle	\$652,625	100%	\$612,173	100%	\$697,614	100%	\$642,923	100%	7%	-6%	2%
BELMONT FALL											
Race dates	38		38		38		37		0%	0%	3%
Live	\$43,700	13%	\$37,254	12%	\$39,989	11%	\$43,106	12%	17%	9%	1%
Export	\$261,671	75%	\$215,881	72%	\$280,918	77%	\$269,057	76%	21%	-7%	-3%
Import	\$41,739	12%	\$47,718	16%	\$44,058	12%	\$39,609	11%	-13%	-5%	5%
Total Handle	\$347,110	100%	\$300,853	100%	\$364,965	100%	\$351,772	100%	15%	-5%	-1%
AQUEDUCT FALL***											
Race dates	36		40		40		39		-10%	-10%	-8%
Live	\$32,690	12%	\$37,677	15%	\$33,373	12%	\$33,910	11%	-13%	-2%	-4%
Export	\$199,722	71%	\$163,539	67%	\$204,765	73%	\$215,630	73%	22%	-2%	-7%
Import	\$47,112	17%	\$43,647	18%	\$41,077	15%	\$46,935	16%	8%	15%	0%
Total Handle	\$279,524	100%	\$244,863	100%	\$279,215	100%	\$296,475	100%	14%	0%	-6%
TOTAL											
Race dates	230		244		237		241		-6%	-3%	-5%
Live	\$365,173	15%	\$377,126	16%	\$367,268	15%	\$372,447	15%	-3%	-1%	-2%
Export	\$1,791,846	73%	\$1,687,002	71%	\$1,849,956	73%	\$1,826,632	73%	6%	-3%	-2%
Import	\$306,749	12%	\$301,078	13%	\$300,285	12%	\$297,797	12%	2%	2%	3%
Total Handle	\$2,463,768	100%	\$2,365,206	100%	\$2,517,509	100%	\$2,496,876	100%	4%	-2%	-1%

Note: Race dates reflect the total amount of days budgeted and/or forecasted and not the number of days scheduled.

HANDLE ANALYSIS

In determining the best way to budget handle in 2016, particularly in light of the bad weather experience in Q1, the Belmont Stakes Triple Crown in Q2, and the abnormally good weather we experienced in Saratoga in Q3, we thought it prudent to look at the average for the last four years of handle at each of our respective meets. We have compared that four year average to the amount we had budgeted for 2015 as well as the actual 2015 performance and, where appropriate, made some specific revisions.

Total handle for 2016 is intentionally budgeted conservatively. The 2016 handle is projected to decrease approximate 1% compared to the prior 4-year average. Highlights include the following:

Aqueduct Winter Meet: This is expected to decrease by 7% over the 4-year average, but perform 9% better than the 2015 actual (forecast) results. Factors include the belief we will have more normal weather for Q1 2016, but plan to reduce the number of days we will be running during the winter (pursuant to an agreement with NYTHA and approved by the NYS Gaming Commission). We have competitive challenges with Gulfstream (particularly with the 2015 Stronach/TVG television deal), but potential upside with the planned Parx closure.

Belmont Spring Meet. We are not assuming a Triple Crown opportunity in 2016. Consequently, we are projecting a number that is less than our forecast for 2015, roughly equivalent to what we had budgeted for 2015 (again, assuming a non-Triple Crown year), and 3% over 4-year average.

Saratoga Meet: We do not anticipate the kind of results we experienced in 2015. Instead, we are projecting a 6% decrease in handle compared to 2015, but an increase of 2% over the 4-year average. We believe the significant improvements at the track, and related television warrant a projected improvement over the 4-year average.

Belmont Fall Meet: We are projecting an increase in the 2016 budget as compared to the 2015 budget. This is largely due to the fact that the 2015 budget was extremely conservative, based upon a difficult and uncertain Belmont fall meet in 2014. Looking at it from a broader perspective, we are budgeting the Belmont fall meet handle at 1% less than the 4-year average.

Aqueduct Fall Meet: Based upon the performance to date, we are projecting that the Aqueduct fall meet will be consistent with the actual and forecasted performance in 2015, but roughly 6% behind the 4-year prior average.

Most importantly, our overall handle is projected to be two percent less than the actual projected handle for 2015, and one percent less than the prior 4-year average. We believe this conservative approach is the best approach to take.

**REVENUE FOR 2016 BUDGET COMPARED TO 2015 BUDGET AND 2015 FORECAST
CURRENT RACING OPERATIONS (VLT REVENUE NOT INCLUDED)**

RACING RELATED REVENUE

(in thousands)

	2016	2015	Change		2015	Change	
	BUDGET	BUDGET	\$	%	FORECAST	\$	%
On-track	\$117,207	\$118,122	(\$915)	(0.8%)	\$117,604	(\$397)	(0.3%)
Export revenue	108,453	101,911	6,542	6.4%	110,255	(1,802)	(1.6%)
New York OTB	25,305	23,775	1,530	6.4%	25,084	221	0.9%
Sub-total gross pari-mutuel revenue	\$250,965	\$243,808	\$7,157	2.9%	\$252,943	(\$1,978)	(0.8%)
less: Statutory and Other							
Rewards Rebate	\$4,685	\$5,282	(\$597)	(11.3%)	\$4,366	\$319	7.3%
Stakes & Purses	106,278	103,233	3,045	2.9%	108,076	(1,799)	(1.7%)
Other statutory payments	16,637	16,917	(280)	(1.7%)	16,700	(63)	(0.4%)
Sub-total Statutory and Other	\$127,600	\$125,432	\$2,168	1.7%	\$129,142	(\$1,542)	(1.2%)
Net wagering revenue	\$123,365	\$118,375	\$4,989	4.2%	\$123,801	(\$436)	(0.4%)
Other revenue, net	\$17,386	\$17,263	\$123	0.7%	\$17,830	(\$444)	(2.5%)
On-track racing related revenue, net	18,974	18,696	278	1.5%	18,109	865	4.8%
ADW Services	714	-	714	100.0%	-	714	100.0%
Net Revenue From Racing Operations	\$160,439	\$154,334	\$6,104	4.0%	\$159,740	\$699	0.4%

- **On-track Wagering Revenue:** On-track Wagering Revenue is projected to decrease consistent with the handle changes budgeted and described previously.
- **Export Revenue:** Export Revenue is projected to increase compared to 2015 Budget and decrease compared to 2015 Forecast consistent with handle performance budgeted.
- **New York OTB Revenue:** New York OTB revenue of \$25.3 million is projected to increase by \$1.5 million compared to 2015 Budget and \$221,000 compared to 2015 Forecast.
- **Rewards Rebate:** The Rewards rebate is provided to NYRA Rewards customers reaching certain wagering levels and is projected to decrease 11.3% compared to 2015 Budget and increase 7.3% compared to 2015 Forecast. The Budget assumed an increase in handle associated with accelerating acquisition growth not realized in actual performance in 2015. Variance to 2015 Forecast is in line with projected handle variance.
- **Other Statutory Payments:** Other statutory payments include pari-mutuel taxes, NYS Gaming Commission fees, simulcasting tax and breeder's fund commission and are projected to decrease compared to 2015 Budget and 2015 Forecast, in line with handle projections.
- **Other Revenue:** Other Revenue is projected to increase \$123,000 in 2016 to 2015 Budget and decrease \$444,000 to 2015 Forecast. The decrease in other revenue compared to 2015 Forecast is due to decreases in sponsorship revenue due to expectation of no Triple Crown (\$832,000), TV production fees from an expiring contract not expected to be renewed with the same terms (\$352,000), Content Fees related to consolidation of an existing partner without expectation of renewal of previous agreement (\$125,000), Group Sales revenue related to a Triple Crown Belmont Stakes Day (\$180,000), and other miscellaneous revenue reductions (\$327,000) partially offset by increased prices for group sales on Belmont Stakes

Day (\$111,000), increased NBC revenue (\$1 million) and increased ADW source market fees (\$370,000).

- **On-Track Racing Related Revenue:** On-Track Racing Related Revenue is projected to increase \$278,000 or 1.5% to \$19.0 million in 2016 compared to 2015 Budget and increase \$865,000 or 4.8% compared to 2015 Forecast. The increase in on-track racing related revenue compared to 2015 Forecast is primarily attributable to NYRA's strategic initiative to selectively increase admissions, box seat, parking and reserved seat prices for Belmont Stakes Day as NYRA aims to have more competitive prices and bundle Friday and Saturday tickets together, like the Kentucky Derby and Preakness. In addition, prices for programs at all three NYRA tracks will increase by \$1. Saratoga food and beverage will increase due to increased and more targeted marketing efforts. Admissions revenue will increase due to reserved picnic tables and Fourstardave reservations. These revenue increases will be offset by an increase in Centerplate expenses and the impact of a non-Triple Crown Belmont Stakes Day with reduced revenue. There are residual decreases to admissions, programs and parking due to reduction in race days.

**OPERATING EXPENSES FOR THE 2016 BUDGET
COMPARED TO 2015 BUDGET AND 2015 FORECAST**

The following table is a summary of operating expenses for the 2016 budget compared to the 2015 budget and 2015 forecast.

OPERATING EXPENSES

(in thousands)

	2016	2015	Change		2015	Change	
	BUDGET	BUDGET	\$	%	FORECAST	\$	%
Salaries and Wages	\$66,411	\$63,233	\$3,178	5.0%	\$64,236	\$2,175	3.4%
Benefits & Payroll Taxes	24,386	23,579	807	3.4%	23,172	1,214	5.2%
Travel	2,674	2,638	36	1.4%	2,592	82	3.2%
Operating Supplies	2,607	2,847	(239)	(8.4%)	2,931	(324)	(11.1%)
Utilities	6,662	6,435	227	3.5%	6,734	(72)	(1.1%)
Temporary Help	3,843	3,229	613	19.0%	3,835	8	0.2%
Outside Services	7,591	6,959	632	9.1%	7,513	78	1.0%
Cable Contract	500	500	0	0.0%	500	0	0.0%
Telephone & Communications	7,117	7,063	54	0.8%	6,925	192	2.8%
Professional Fees:							
Legal Fees	1,670	1,670	0	0.0%	1,670	(0)	(0.0%)
Consulting	2,207	2,541	(334)	(13.2%)	1,684	523	31.0%
TOTE Expense	2,149	2,136	13	0.6%	2,142	6	0.3%
Rentals & Leases	2,320	2,493	(173)	(6.9%)	2,666	(346)	(13.0%)
Repairs & Maintenance	7,476	7,150	326	4.6%	8,784	(1,307)	(14.9%)
Insurance	8,350	8,379	(28)	(0.3%)	8,681	(330)	(3.8%)
Marketing & Advertising	6,015	5,264	750	14.2%	5,244	770	14.7%
Charitable Contributions	1,326	1,412	(85)	(6.0%)	1,402	(75)	(5.4%)
Bad Debt Expense	250	250	0	0.0%	456	(206)	(45.1%)
Other Expenses	4,559	4,352	207	4.8%	4,541	18	0.4%
Total Operating Expenses	\$158,113	\$152,130	\$5,983	3.9%	\$155,708	\$2,405	1.5%

Total Operating Expenses 2015 Forecast Compared to 2015 Budget - 2015 actual and forecasted expenses of \$155.7 million have increased by \$3.6 million from the 2015 budget which was impacted by certain events including the delay in closing and the early reopening of the Aqueduct training center (six weeks actual closure compared to six months budgeted - \$1.1 million), incremental expenses associated with a Triple Crown Belmont Stakes Day (\$713,000) and higher than expected expenses associated with supporting the historic record breaking Saratoga meet (\$849,000), all of which were offset by higher than budgeted revenues at these events. Also impacting the increase in operating expenses is higher than expected manure removal costs (\$329,000) and higher maintenance supplies (\$586,000).

Total Operating Expenses 2016 Budget Compared to 2015 Forecast – Total Operating Expenses for 2016 are projected to increase by \$2.4 million due to strategic new hires, general wage increases and increased employee benefits costs (\$3.4 million), increased marketing (\$770,000) and increased consulting costs related to long term planning and cybersecurity (\$523,000). These increases are offset by expected decreases from closing the Aqueduct training center earlier (\$582,000), reduced maintenance and operating supplies with adequate current supply levels (\$1.2 million), not budgeting for a Triple Crown Belmont Stakes Day (\$293,000) and lower expected manure removal expense (\$213,000).

- **Salaries and Wages** – Salaries and Wages in 2016 are projected to increase \$2.2 million or 3.4% to \$66.4 million. The increase is attributable to a general increase in existing employee wages (some of which are mandated by collective bargaining agreements) and headcount to

support strategic objectives. The increase in salaries and wages is offset by decreases associated with closing the Aqueduct training center earlier and other strategic reductions.

- **Benefits & Payroll Taxes** – Benefits & Payroll Taxes are projected to increase \$1.2 million to \$24.4 million due to contractual increases in union related benefit costs (\$802,000) and increases in non-union employee benefits based on rising cost (\$603,000) offset by reduced non-union dental plan cost and increasing the non-union employee contribution rates.
- **Operating Supplies** – Operating supplies are projected to decrease 11.1% to \$2.6 million, due to lower cleaning supplies and uniforms expense based on current sufficient supply levels (\$179,000) and lower expected gasoline/oil expense due to lower prices (\$109,000).
- **Outside Services** – Outside Services are projected to increase \$78,000 to \$7.6 million due to cyber security enhancements (\$115,000) and Guest Services CRM training (\$50,000) offset by expected decreases in security expense.
- **Telephone and Communications** – Telephone and Communications expense is projected to increase \$192,000 to \$7.1 million due to GBE fees associated with growth in ADW Services \$330,000 (offset by revenue reimbursement) and hosting fee costs (\$69,000) offset by decreased wagering related communications costs (\$180,000).
- **Rental and Leases** – Rental and Leases expense for 2016 is projected to decrease \$346,000 to \$2.3 million due to a decrease in Belmont Stakes Day related equipment rental (trackside tent and ATM machines) as a result of Triple Crown in 2015 and decreased fleet leases.
- **Repairs and Maintenance** – Repairs and Maintenance expense is projected to decrease \$1.3 million compared to 2015 primarily due to expected reduction in manure removal plus reductions due to one-time expenses in 2015 (Saratoga escalator, track related repairs, environmental remediation).
- **Insurance** – Insurance is projected to decrease by \$330,000 to \$8.4 million due to one-time prior year retro pay audit adjustment offset by increases in disability, property and directors & officers related insurance.
- **Marketing** – Marketing expenses are projected to increase \$770,000 to \$6.0 million including sponsorship expense, increased handicapping challenge events, and marketing for ADW Services.
- **Bad Debt** – Bad debt expense is expected to decrease \$206,000 or 45.1% to \$250,000 due to a one-time \$226,000 return premium received in 2015 for legacy claims on an Old NYRA Worker's Compensation policy. Return premiums are a result of reserve reductions and/or claim closures and settlements.

VLT REVENUE & PURSES

VLT REVENUE

(in thousands)

	2016		2015		2015		Change	
	BUDGET	BUDGET	\$	%	FORECAST	\$	%	
Gross Based on WPM	\$821,261	\$796,289	\$24,972	3.1%	\$818,970	\$2,291	0.3%	
Stakes and Purses Funding	60,979	59,124	1,854	3.1%	60,809	170	0.3%	
Capital Funding	32,850	31,852	999	3.1%	32,759	92	0.3%	
Operations Funding	24,638	23,889	749	3.1%	24,569	69	0.3%	
Gross VLT Revenue	\$118,467	\$114,865	\$3,602	3.1%	\$118,136	\$330	0.3%	
less: Stakes and Purses Funding	\$60,067	\$58,238	\$1,829	3.1%	\$59,896	\$170	0.3%	
less: VLT - Jockey Health Insurance	912	887	\$25	2.8%	912	\$0	0.0%	
Net VLT Revenue	\$57,488	\$55,740	\$1,773	3.2%	\$57,328	\$160	0.3%	

- NYRA receives VLT money as a result of a settlement in the federal bankruptcy case, settled in good faith by NYRA and the Executive branch of New York State and subsequently approved by the state legislature which exchanged property valued at over \$1 billion for a 25 year franchise agreement and VLT funds to be used for purses, operations, and capital purposes.
- NYRA uses VLT money it receives to generate jobs for New Yorkers. An independent study in 2012 determined that the horseracing industry in New York generates \$2.1 billion of annual economic impact, and 17,000 jobs. NYRA is the cornerstone of that industry.
- VLT Revenue for 2016 is projected to be \$118.5 million, of which \$61.0 million is for stakes and purses, \$32.9 million for capital investment and \$24.6 million for operations. Projected VLT Revenue is based on 5,003 machines with a \$449 win per machine daily average. The budget assumes a win per machine rate consistent with 2015 trends. During the later stages of 2015 the number of active machines per month has fluctuated and, therefore, the budget assumes a conservative average number of machines consistent with the average number of machines seen during the beginning of 2015.
- Stakes and purses are paid throughout the year with excess set aside in a separate bank account and calculated as part of the purse cushion. NYRA has taken the monies dedicated for purses and significantly increased the amount of money paid in purses for New York bred races – a 72% increase in the last 3 years. The result of that strategic utilization of funds is to have more horses bred in New York, which creates more jobs in the important NY agriculture and construction sectors, as well as other industries. We have also used purse money to create “big event” days which generate greater tourism in New York City and, in particular, Saratoga.
- Operations funding is used to support pension, post-retirement and operational initiatives as necessary and is included in normal operational accounts.
- Capital funds are set aside in a separate account and spent on approved capital projects (see page 11). NYRA projects a balance entering the year of \$16 million.

**NON-OPERATING EXPENSES FOR THE 2016 BUDGET
COMPARED TO 2015 BUDGET AND 2015 FORECAST**

NYRA’s non-operating expenses primarily consist of employee legacy costs (pension and other post-retirement employee benefits “OPEB”), depreciation and income tax expense. The following table is a summary of these expenses budgeted for 2016 as compared to the 2015 budget and 2015 forecast:

(in thousands)

	2016		Change		2015		Change	
	BUDGET	BUDGET	\$	%	FORECAST	\$	%	
Retiree Benefits	\$5,500	\$8,162	(\$2,662)	(32.6%)	\$6,151	(\$651)	(10.6%)	
Pension	2,500	138	2,362	1707.7%	1,367	1,133	82.9%	
Interest Expense	8	6	2	40.7%	8	0	3.6%	
Depreciation	10,909	8,332	2,577	30.9%	8,217	2,692	32.8%	
Income Tax Expense	14,057	14,000	57	0.4%	16,261	(2,204)	(13.6%)	
Total Non-Operating Expenses	\$32,974	\$30,638	\$2,336	7.6%	\$32,004	\$970	3.0%	

- **Retiree Benefits** - Retiree Benefits expense for 2016 is projected to decrease \$2.7 million compared to 2015 Budget and is projected to decrease \$651,000 to \$5.5 million compared to 2015 Forecast. The budget was based on actuarial information currently available.
- **Pension** – Pension expense for 2016 is projected to be \$2.5 million based on actuarial valuation, an increase of \$2.4 million compared to 2015 Budget and an increase of \$1.1 million compared to 2015 Forecast. The increase in pension expense is primarily due to a 0.25% decrease in discount rates. The discount rate is used to calculate the present value of the pension benefit obligation. As discount rates decrease, pension expense will increase. The lower discount rates increased the pension expense by approximately \$1.5 million.
- **Interest Expense** – Interest Expense for 2016 is projected to increase slightly compared to 2015 Budget and remain flat against 2015 Forecast.
- **Depreciation** – Depreciation expense for 2016 is projected to increase \$2.6 million or 30.9% compared to 2015 budget and \$2.7 million or 32.8% compared to 2015 forecast. The increases are attributable to new depreciable assets placed into service due to increased capital spending.
- **Income Tax Expense** – Income Tax Expense for 2016 is projected to be \$14.1 million. This is an increase of \$57,000 or 0.4% compared to 2015 budget and a decrease of \$2.2 million or 13.6% compared to 2015 forecast. The variance from 2015 budget and 2015 forecast is due to the projected change in net income.

2016 CAPITAL SPENDING BUDGET

For 2016, NYRA plans to invest \$44.1 million in capital improvements. These projects will continue to enhance the guest experience, upgrade conditions within the barn area for horsemen, upgrade NYRA's technology infrastructure and increase NYRA's operational efficiency. The cash balance available on January 1, 2016 is projected to be \$16.0 million with projected VLT capital funding of \$32.9 million in 2016 resulting in total available cash in 2016 of \$48.9 million.

(in thousands)	2016 Budget
AQUEDUCT	
Guest Area Improvements	\$700
Barn Area Construction/Upgrades	225
Track and Infield Upgrades	200
Group Sales/Dining	75
Other	50
	1,250
 BELMONT	
Dorms	12,000
Barn Area Construction/Upgrades	4,600
Track and Infield Upgrades	2,200
Guest Area Improvements	2,055
Food & Beverage	500
Other	500
	21,855
 SARATOGA	
Guest Area Improvements	5,825
Barn Area Construction/Upgrades	3,860
Other	1,600
Track and Infield Upgrades	500
Food & Beverage	650
	12,435
INFORMATION TECHNOLOGY	3,393
FLEET EQUIPMENT	2,865
NYRA TV	1,585
ADW SERVICES	575
SALES & ADMISSIONS	156
Total Proposed Capital Expenditure	\$44,114

Aqueduct

Guest Area Improvements

- There have been substantial improvements made over the past few years in the clubhouse at Aqueduct. Projects planned for 2016 include the continued installation of security cameras throughout the building to improve guest and employee safety as well as adding large exterior signage on both Rockaway Boulevard and North Conduit Avenue in an effort to showcase our facility to motorists.

Barn Area Construction/Upgrades

- NYRA plans to continue to make improvements and upgrades to the barn area to enhance the working and living conditions of the backstretch workers. Budgeted improvements include fencing and improvements to barns and dormitories.

Track and Infield Upgrades

- In 2016, NYRA will continue to improve the track, including new track cushion and rail posts to better ensure the safety of horses and jockeys.

Belmont

Dorms

- The most significant projects planned include the construction of two new dormitories to feature individual HVAC units and provide an upgrade to current living conditions.

Barn Area Construction/Upgrades

- Improvements to the barn area have been ongoing at Belmont, including the expansion of select barns to provide additional stall space. In addition, NYRA will continue to replace barn roofs with long lasting metal and remove asbestos reducing the amount of maintenance currently necessary. NYRA also plans to continue installing flowable fill concrete and replacing wooden catwalks with concrete in the front of each stall. Rubber and plastic wall guards are being installed in each stall to reduce the amount of wear and tear on the barn walls. Additionally, existing dorms and cottages are being upgraded for energy efficiency and safety as well as improving the living conditions for the backstretch workers.

Track and Infield Upgrades

- In 2016, NYRA plans to invest in capital projects for the Belmont dirt track, turf courses and training track. These plans include widening and resurfacing the training track at Belmont, continuing the replacement of the track cushion on the main track and the installation of irrigation pump controls for the turf courses.

Guest Area Improvements

- In 2016, NYRA will invest in several projects that will further improve the guest experience and provide additional opportunities for revenue at Belmont Park. These projects include new video boards for use in the backyard picnic areas, upgrades to the public announcement system and the first phase of the permanent installation of a trackside tent, located on the east end of the clubhouse. The video boards will significantly enhance the picture quality and viewing experience for the guests in the backyard. The public announcement system will be upgraded with new speakers and amplifiers enhancing the overall sound quality throughout

the track. The trackside tent, which is currently only used on a temporary basis for Belmont Stakes Day, will present the ability to sell a trackside event space to large groups that was previously unavailable. NYRA will also complete a multi-year project to upgrade the entire facility to meet ADA compliance, a project that was started in 2013. Security cameras will be installed throughout the building to enhance safety for both guest and employees.

Food and Beverage

- NYRA plans to build an additional bar area in the backyard to further enhance the guest experience.

Other

- Other capital improvements at Belmont will include sprinkler replacement, plumbing upgrades, a new roof for the North Shore Terrace and pavers for the Walking Ring.

Saratoga

Guest Area Improvements

- In 2016, NYRA will invest in a number of improvements to enhance the guest experience at Saratoga. These improvements include design work for the At the Rail pavilion, installation of a new elevator and escalator, additional backyard video boards, restroom upgrades, and ADA compliance upgrades.

Barn Area Construction/Upgrades

- To provide better safety to the barn and surrounding area, NYRA plans to continue to renovate dormitories and barns as well as upgrade the electrical service which will improve the quality of life for the backstretch residents that utilize the facilities. NYRA will completely refurbish six additional dormitories including new plumbing and upgraded electrical service to provide more comfortable and sanitary living conditions. The barn upgrades will duplicate the stall flooring projects that have worked well at Belmont, including rubber matting in the stalls. Additionally, two barns will have the foundation replaced. NYRA will also invest in landscaping.

Other

- In 2016, NYRA will invest in new roofs for the saddling shed, upper carousel, and grandstand. These roofs will provide safer conditions for the facility. NYRA will also install rubber pavers on the horse path that will provide a safer and easier to maintain surface.

Track and Infield Upgrades

- In 2016, NYRA plans to continue to upgrade the irrigation of the Mellon and Inner Turf courses. The improved irrigation of these two turf courses will extend the life and improve the condition of the racing surface which will lead to the ability to run more turf races throughout the meet and reduce labor costs.

Food and Beverage

- NYRA will invest in food and beverage related improvements at Saratoga in 2016 including the purchase of restaurant equipment for the main kitchen, new refrigeration and an upgrade to the point of sale system (POS), which will provide all vendors with a mobile POS tablet to

increase the speed and efficiency of the checkout process for guests and provide more accurate sales figures from the third party shops and food trucks.

Information Technology

- In 2016, NYRA will invest in information technology to better serve guests and increase internal operational efficiency with reduced internet outages and other workflow issues related to operating at three locations. NYRA plans to further invest in a Customer Relationship Management (CRM) platform that will create a centralized customer information database to allow for better tracking and handling of data. NYRA will invest in the network infrastructure to better support all functions of the company securely and efficiently.

Fleet Equipment

- Major fleet equipment spending for 2016 will include the purchase of used vehicles to replace older vehicles currently requiring significant maintenance and upkeep, the purchase of a “vac-all” machine to clean out wash pads and drains and the purchase of a four wheel drive ambulance to provide better safety for the jockeys and exercise riders at Belmont and Aqueduct. Additionally, NYRA is planning to buy out the leases of five John Deere tractors that are currently used for track maintenance as well as purchasing a new trailer to be used for the horse shuttle between NYRA’s properties. In an effort to reduce rental expenses, NYRA intends to pursue purchasing the starting gates used at all three racetracks.

NYRA TV

- In 2016, NYRA TV has a number of new initiatives planned that will greatly enhance the guest experience while further widening the technology gap between NYRA and its industry competitors. Foremost among these initiatives is equipment that will allow NYRA TV to send out two simulcast feeds at the same time allowing for different viewing experiences for those on-track compared to those watching from off-track locations. The ability to produce multiple video feeds will also allow NYRA TV to fully support the company’s new national ADW and be able to produce and distribute targeted marketing messaging. NYRA will also invest in the creation of a state-of-the-art video application that will allow people to fully customize their NYRA viewing experience on mobile platforms. NYRA will also continue to invest in new and unique camera angles in addition to the purchase of new and backup equipment to ensure NYRA’s continued place as the industry leader in TV production.

ADW Services

- In 2016, NYRA will invest to further improve ADW Services by offering enhanced software and new wagering applications as well as better graphics.

Sales and Admissions

- In 2016, NYRA will make purchases to support the Sales & Admissions department including the purchase of new chairs for the box seats area at Belmont as well as ticket scanners to allow for better traffic flow for our guests.

EXHIBIT 1

Operating Income from Racing Operations

RACING RELATED REVENUE

(in thousands)

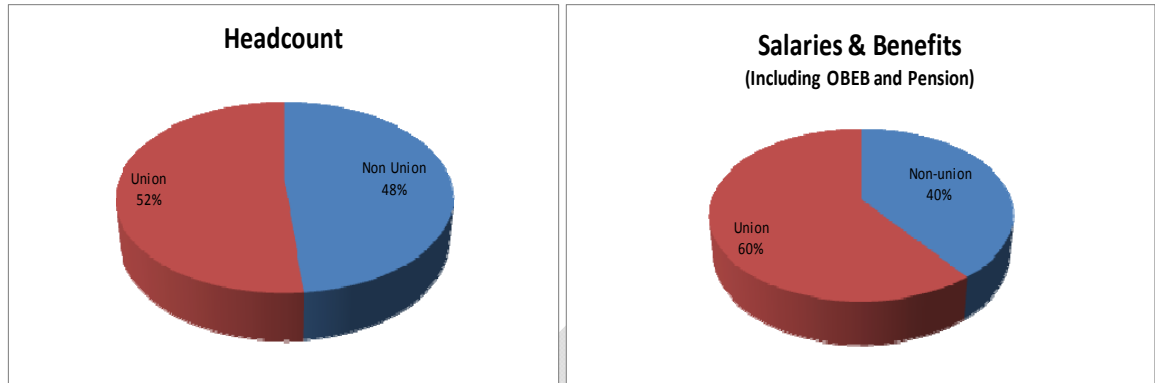
	2016	2015	Change		2015	Change	
	BUDGET	BUDGET	\$	%	FORECAST	\$	%
On-track	\$117,207	\$118,122	(\$915)	(0.8%)	\$117,604	(\$398)	(0.3%)
Export revenue	108,453	101,911	6,542	6.4%	110,255	(1,802)	(1.6%)
New York OTB	25,305	23,775	1,530	6.4%	25,084	221	0.9%
Sub-total gross pari-mutuel revenue	\$250,965	\$243,808	\$7,157	2.9%	\$252,943	(\$1,978)	(0.8%)
less: Statutory and Other							
Rewards Rebate	\$4,685	\$5,282	(\$597)	(11.3%)	\$4,366	\$319	7.3%
Stakes & Purses	106,278	103,233	3,045	2.9%	108,076	(1,799)	(1.7%)
Other statutory payments	16,637	16,917	(280)	(1.7%)	16,700	(63)	(0.4%)
Sub-total Statutory and Other	\$127,600	\$125,431	\$2,168	1.7%	\$129,142	(\$1,542)	(1.2%)
Net wagering revenue	\$123,365	\$118,376	\$4,989	4.2%	\$123,801	(\$436)	(0.4%)
Other revenue, net	\$17,386	\$17,263	\$123	0.7%	\$17,830	(\$444)	(2.5%)
On-track racing related revenue, net	18,974	18,696	278	1.5%	18,109	864	4.8%
ADW Services	714	-	714	100.0%	-	714	100.0%
Net Revenue From Racing Operations	\$160,439	\$154,335	\$6,104	4.0%	\$159,740	\$698	0.4%

OPERATING EXPENSES

Labor Expense	\$90,796	\$86,812	\$3,984	4.6%	\$87,408	\$3,388	3.9%
Operating Supplies	2,607	2,847	(239)	(8.4%)	2,931	(324)	(11.1%)
Utilities	6,662	6,435	227	3.5%	6,734	(72)	(1.1%)
Temporary Help and Outside Services	11,434	10,188	1,246	12.2%	11,348	86	0.8%
Cable Contract/Video Streaming	500	500	0	0.0%	500	0	0.0%
Telephone & Communications	7,117	7,063	54	0.8%	6,925	192	2.8%
Professional Fees:							
Legal Fees	1,670	1,670	0	0.0%	1,670	(0)	(0.0%)
Consulting	2,207	2,541	(334)	(13.2%)	1,684	523	31.0%
TOTE Expense	2,149	2,136	13	0.6%	2,142	6	0.3%
Rentals & Leases	2,320	2,493	(173)	(6.9%)	2,666	(346)	(13.0%)
Repairs & Maintenance	7,476	7,150	326	4.6%	8,784	(1,307)	(14.9%)
Insurance	8,350	8,379	(28)	(0.3%)	8,681	(330)	(3.8%)
Marketing & Advertising	6,015	5,264	750	14.2%	5,244	770	14.7%
Other Expenses	8,810	8,652	158	1.8%	8,990	(181)	(2.0%)
Total Operating Expenses	\$158,113	\$152,130	\$5,983	3.9%	\$155,708	\$2,405	1.5%
Operating Income/(Loss) From Racing	\$2,326	\$2,204	\$121	5.5%	\$4,032	(\$1,706)	(42.3%)
Plus: Net VLT Revenue (Net of Purses)*	57,488	55,740	1,773	3.2%	57,328	160	0.3%
Total Operating Income/(Loss)	\$59,814	\$57,944	\$1,895	3.3%	\$61,360	(\$1,546)	(2.5%)

EXHIBIT 2

2016 BREAKDOWN OF LABOR EXPENSE



	2016		
	<u>Non-union</u>	<u>Union</u>	<u>Total</u>
Salaries & Taxes	\$34,356,000	\$37,408,000	\$71,764,000
Active employee benefits	\$4,687,000	\$14,345,000	\$19,032,000
Post-retirement benefits (contributions)		\$4,100,000	\$4,100,000
Pension Expense (contributions)		\$3,914,656	\$3,914,656
Total compensation	\$39,043,000	\$59,767,656	\$98,810,656
% of Total	40%	60%	100%
# average active employees	646	684	1,330
% of Total	49%	51%	100%
2016 Cost per active employee	\$60,435	\$87,371	\$74,288

EXHIBIT 3

2016 INDUSTRY PROJECTIONS

	<u>12 Months</u> <u>Ended 12/31/16</u>	<u>12 Months</u> <u>Ended 12/31/15</u>	<u>% Variance</u>
<u>Industry</u>			
Wagering on U.S. Races	\$10,654,083,918	\$10,718,394,284	-0.6%
U.S. Purses	\$1,105,094,502	\$1,115,130,678	-0.9%
U.S. Race Days	4,640	4,803	-3.4%
Handle Yield Per Purse Dollar Invested	\$9.64	\$9.61	0.3%
<u>NYRA</u>			
Wagering on NYRA Races	\$2,119,295,095	\$2,183,418,908	-2.9%
NYRA Purses	\$168,907,679	\$164,545,331	2.7%
NYRA. Race Days	230	237	-3.0%
Handle Yield Per Purse Dollar Invested	\$12.55	\$13.27	-5.4%
<u>NYRA as Percentage of Industry</u>			
Wagering on U.S. Races	19.9%	20.4%	
U.S. Purses	15.3%	14.8%	
U.S. Race Days	5.0%	4.9%	

- For 2016, NYRA estimates a decrease of 0.6% in wagering on U.S races and a 3.4% decrease in race days compared to a 2.9% decrease in wagering on NYRA races and a 3.0% decrease in NYRA race days. NYRA projects that it will contribute 5% of total industry race days, offer 15.3% of purses and generate 29.9% of thoroughbred handle across the United States. NYRA projects that every dollar invested in purses at NYRA will yield \$12.55 in handle compared to \$9.64 industry-wide.

4



FOB PERFORMANCE STANDARDS REPORTING

FOB MEETING – DECEMBER 2, 2015



1. Race Dates

PERFORMANCE STANDARD - FA Sec. 2.2 (a)-Race Dates

New NYRA shall apply to the Racing and Wagering Board to run racing a minimum of two hundred forty-six (246) total race days each calendar year, which racing days will include a minimum of (i) one hundred twenty (120) race days at Aqueduct, (ii) ninety (90) race days at Belmont and (iii) thirty-six (36) race days at Saratoga. Assignment of race days shall be subject to approval of the Racing and Wagering Board.

1. Race Dates



STATEMENT OF CONCLUSION:

NYRA has complied in all respects with this Performance Standard. In 2013 and 2014, NYRA applied to the NYS Gaming Commission to run a total of 253 and 252 races, respectively. In both years, NYRA exceeded the requirements by applying for more races than is required by the Franchise Agreement.

2. New York Bred Races



PERFORMANCE STANDARD - FA Sec. 2.2 (b)-New York Bred Races

New NYRA shall run a minimum of six hundred (600) New York bred races each year, subject to availability of a sufficient number of New York bred horses to run competitive races with customary field size. The number of New York bred races will be dependent on the State's foal crop and the continuation of State support of the State breeding industry substantially as currently operated.

2. New York Bred Races



STATEMENT OF CONCLUSION:

Not only has NYRA complied with the requirements of this Performance Standard, but it has exceeded the minimum requirements by running 637 New York bred races in 2013 and 688 New York bred races in 2014. This increase in the number of New York bred races, along with larger purses, has helped expand the New York breeding program. As a result, New York was one of the few states that saw an increase in foal production during a national foal crop shortage.

3. Stalls



PERFORMANCE STANDARD - FA Sec. 2.2 (c)-Stalls

New NYRA shall fill stalls at each of the Racetracks in a fair and equitable manner and subject to existing track customs so as to maximize field size and quality of horses on Racetrack grounds.

3. Stalls



STATEMENT OF CONCLUSION:

NYRA has complied in all respects with this Performance Standard in 2013 and 2014. In keeping with its own track customs and the policies at all major tracks in the U.S., NYRA reserves the right to use its discretion to determine the number of stalls assigned to each trainer. NYRA bases allocation decisions on objective criteria that applies to all applicants equally. This allows NYRA to balance a fair and equitable distribution of stalls with its goal of maximizing field size with quality horses.

4. Jockey and Equine Safety



PERFORMANCE STANDARD - FA Sec. 2.2 (d)-Jockey and Equine Safety

New NYRA shall consider the advantages and disadvantages of installing synthetic surfaces at the Racetracks and training facilities with leading equine artificial surface experts from around the Nation to determine the advisability of such installation. Installation will be subject to FOB approval. New NYRA shall also consider other steps in consultation with industry experts to ensure jockey and equine safety.

4. Jockey and Equine Safety



STATEMENT OF CONCLUSION:

NYRA has complied in all respects with this Performance Standard in 2013 and 2014. NYRA has consulted with leading experts regarding the use of various synthetic surfaces. NYRA has also implemented numerous safety initiatives to ensure that the equine and human athletes participating in NYRA races are as safe as possible. Such measures include, for example, establishing a board-level Equine Safety Committee in 2013; investing in track safety and maintenance improvements in 2013 and 2014; and hiring NYRA's first ever "Safety Steward" in 2014. As a result, NYRA's equine fatalities decreased significantly in 2013 over 2012, and remained below the national average in 2014.

5. CAFO



PERFORMANCE STANDARD - FA Sec. 2.2 (e)-CAFO

New NYRA shall comply with the requirements of State Concentrated Animal Feeding Operation nutrient management plan and shall remediate and notify the FOB of any violation of such plan as soon as practicable.

5. CAFO



STATEMENT OF CONCLUSION:

NYRA has complied in all respects with this Performance Standard. As of 2013 and 2014, the racetracks at Aqueduct and Saratoga were CAFO compliant, with NYRA having fully complied with an Order on Consent executed in 2004 (“2004 OOC”). With respect to Belmont, after an inspection by the DEC in 2009, it was discovered that certain CAFO violations listed in the 2004 OOC were not fully remediated. In 2014 NYRA and the DEC agreed to negotiate a second consent order. In 2014, NYRA took these corrective actions and is fully compliant for all actions to be taken through 2014. Additional actions may be taken in 2015, pending the results of testing to be conducted at that time.

6. Backstretch



PERFORMANCE STANDARD - FA Sec. 2.2 (f)-Backstretch

New NYRA shall develop and implement a plan, subject to approval of the FOB, to improve substantially over a five year period the condition of the housing and working environment for backstretch workers; provided, however, that compliance with this Performance Standard shall be conditioned on the State or the VLT Operator making required daily payments to New NYRA for track improvements and other capital expenditures in an amount equal to four percent (4%) of VLT Revenues.

6. Backstretch



STATEMENT OF CONCLUSION:

NYRA has complied in all respects with this Performance Standard in 2013 and 2014, as it has developed and implemented a plan to improve substantially the condition of the housing and working environment for backstretch workers. In 2013 and 2014, NYRA spent approximately \$12 million to directly improve the housing and working environment of the backstretch workers, including building and renovating dormitories and barns. This is part of a \$28.8 million program for the backstretch. In addition, NYRA contributes substantial funds to backstretch organizations that support the workers' health and welfare.

7. Saratoga Training



PERFORMANCE STANDARD - FA Sec. 2.2 (g)- Saratoga Training

New NYRA shall maintain and operate the existing Saratoga training facility during the period from at least April 15 through November 1 of each year, subject to weather conditions.

7. Saratoga Training



STATEMENT OF CONCLUSION:

NYRA has complied in all respects with this Performance Standard by ensuring that the Saratoga training facility was open from at least April 15 through November 1 during 2013 and 2014.

8. Handle and Attendance



PERFORMANCE STANDARD - FA Sec. 2.2 (h)-Handle and Attendance

New NYRA shall embrace objectives to encourage growth in on- and off-track handle through track and VLT Gaming marketing, simulcasting, and internet wagering. New NYRA shall use its reasonable best efforts to increase average daily handle at each of the Racetracks. New NYRA shall provide the FOB with such handle figures as the FOB may reasonably request, at the conclusion of each meet, for consultation and discussion on patterns and trends that may necessarily be affecting this objective. The FOB and New NYRA shall work cooperatively to make any reasonable adjustments that may be necessary to meet the growth objectives. To the extent possible, similar objectives shall apply to on-track attendance. Recognizing patronage shifts between VLT Gaming, racing and simulcasting operations, and the long-term decline in racing attendance in the United States, New NYRA shall use its reasonable best efforts to maximize attendance at each of the Racetracks.

8. Handle and Attendance



STATEMENT OF CONCLUSION:

NYRA has not only satisfied this Performance Standard in 2013 and 2014, but it has gone above and beyond to attract new customers and to create a positive and memorable experience for all its guests. While there is a national decline in overall betting handle and attendance, NYRA has made great strides in many areas, such as: making the guest experience paramount, creating big “must see” racing events, improving its ADW platform, and streaming HD video of NYRA’s content through newly created iPhone and Android applications.

9. Purses



PERFORMANCE STANDARD - FA Sec. 2.2 (i)-Purses

New NYRA shall not commingle horsemen's bookkeeper funds with its other funds.

9. Purses



STATEMENT OF CONCLUSION:

NYRA has complied in all respects with this Performance Standard in 2013 and 2014, as NYRA operates separate bank accounts for its own funds and the Horsemen's bookkeeper fund.

10. Expenses



PERFORMANCE STANDARD - FA Sec. 2.2 (j)-Expenses

New NYRA shall operate its racing and wagering business so as to maintain (i) operating expense levels, (ii) levels of capital expenditures and the items on which such capital expenditures are spent and (iii) executive compensation at commercially reasonable levels and in accordance with racing and wagering industry standards and shall report to New NYRA and the FOB at least quarterly in each of such matters.

10. Expenses



STATEMENT OF CONCLUSION:

NYRA has complied with this performance standard in 2013 and 2014. NYRA has implemented numerous initiatives to reduce costs while at the same time additional strategies were implemented to raise revenues. As a result, NYRA saw a profit from racing operations of approximately \$1.7 million, NYRA's first operating surplus since 2000. In 2013 and 2014, NYRA invested \$19.5 million and \$28 million, respectively, in capital improvements at all three racetracks to improve the frontside and backstretch areas. NYRA's compensation of its most senior management team is considerably below market standards and in particular below the compensation levels of their counterparts in NYRA's competitors.

11. Community



PERFORMANCE STANDARD - FA Sec. 2.2 (k)- Community

New NYRA shall use its reasonable best efforts to maintain its tracks and facilities such that their physical appearance and conditions do not detract from the community; provided, however, that the parties recognize that New NYRA's ability to make major track investments and other capital expenditures is subject to receipt of daily payments from the State or the VLT Operator in an amount equal to four percent (4%) of VLT Revenues.

11. Community



STATEMENT OF CONCLUSION:

NYRA has complied in all respects with this Performance Standard. In 2013 and 2014 NYRA dedicated considerable time and money to renovating and maintaining the physical appearance of the frontside and backstretch of its three racetracks. At Aqueduct, for example, NYRA painted the front façade of the building and commissioned urban artists to paint murals on both the inner and outer walls of the track. NYRA is diligent about maintaining the racetracks, employing over 100 full time maintenance personnel, and adding up to 65 seasonal maintenance staff for its Saratoga race meet. NYRA also welcomes input from the public. In 2013 and 2014, NYRA held open forums at Belmont, Saratoga and Aqueduct, where the public was encouraged to attend and give input directly to NYRA executives.