

**NYRA Board of Directors Meeting
December 9, 2015
Agenda Item 3: Report of CEO and President
Remarks of Christopher K. Kay**

Good afternoon.

Belmont Fall Meet

Highlighted by Tonalist's second consecutive win in the Grade 1, \$1 million Jockey Club Gold Cup on October 3, Belmont's fall meet included the debut of two "Super Saturdays" on Saturday, September 26 and Saturday, October 3. The two events featured a combined 11 graded stakes, worth \$4.2 million in purses.

On October 24, we held our third showcase day for New York-bred horses. Our popular Empire Showcase Day was comprised of eight stakes races worth \$1.75 million in purses exclusively for New York-bred horses. The day also featured the return of "Taste NY" to Belmont Park. One of Governor Cuomo's signature initiatives, "Taste NY" brings the best, New York crafted wines, spirits and foods directly to our horseplayers and fans.

Total NYRA handle, which includes wagers on Belmont Park races both on-track and from simulcast outlets nationwide, was \$320,907,036. The figure represents an increase of \$21,531,019, up 7 percent from 2014's total NYRA handle of \$299,376,017. But that is just one performance metric. As reflected in the chart on the screen, we registered meaningful increases in many important areas for this year's Belmont fall meet, as compared to 2014.

Aqueduct Winter Meet

On Wednesday, November 4, we resumed live racing at Aqueduct Racetrack. The Aqueduct fall meet features 27 stakes races worth \$4.8 million in purses, and was anchored by the running of the Grade 1 Cigar Mile. Tonalist completed a historic and stellar fall season with an exciting photo finish win in the Cigar Mile on Saturday, November 28.

On that day we had a soft opening of our Horsemen's Lounge and will have the official opening on December 26, 2015. Located on the second floor, the new climate-controlled lounge features sofas and airport-style seating, in addition to AmTote machines and HD televisions for those that represent our current and future owners, their trainers and their guests.

Last year, we opened our state of the art simulcast center, Longshots, for our horseplayers at Aqueduct. This year, we opened the Horsemen's Lounge for our owners and the new Silks bar, with airport style seating, for our horseplayers. For horseplayers, owners and horse racing fans alike, we have taken significant steps to improve Aqueduct.

And the quality of our racing, and our improved facilities, is paying off as wagering is up 4.3% over last year through December 6, 2015 for the Aqueduct meet. Total wagering on NYRA races, exclusive of imports and international, through December 6 is \$166,179,734.

Equine Safety

The New York Racing Association has continued our stringent safety winter protocols implemented in January of this year.

In addition, in advance of the start of this Aqueduct fall meet, the New York Racing Association again proactively secured an independent review of Aqueduct's main and inner tracks by Dr. Michael Peterson, Executive Director of the Racing Surfaces Testing Laboratory and the Libra Foundation Professor for the College of Engineering at the University of Maine. The independent review, conducted in mid-October found "no anomalies" with Aqueduct's two track surfaces.

In conjunction with the establishment of a new Reorganization Board of Directors and a new management team, and the adoption of recommendations from the 2012 Task Force, NYRA's catastrophic injury rate (or "CRI") has fallen below the national average. The CRI is the nationally utilized metric, based on data from the Equine Injury database. It measures the number of horses that suffer a fatality during a race and up to 72 hours after the race, and compares

that catastrophic injury number to the actual number of starts in races conducted for the year. The CRI states X number of catastrophic injuries per 1,000 starts. The national CRI for flat racing, exclusive of steeplechase, is usually around 2 per thousand, or 2.00.

In 2012, prior to the selection of the new board, NYRA's CRI was 2.20, above the national average of 1.92 for flat racing. In 2013, NYRA's CRI dropped to 1.29, well below the national average of 1.90 for flat racing. Despite a spate of injuries in December, the 2014 CRI rate was still below the national average. It should be noted that NYRA's CRI figures included injuries sustained in our steeplechase races as well.

Through the conclusion of racing on December 6, 2015, NYRA's CRI continues to be well below the national average. In fact, it is a historic low of 1.03. That means that only one tenth of one percent of the horses that entered to run in our races to date in 2015 sustained a race related catastrophic injury.

These numbers reflect our focus on, and commitment to, equine safety. Of course, inclement weather and other factors can cause a variety of issues, which is why we remain vigilant in our efforts to monitor the track, the horses, and the jockeys.

2016 Racing Schedule

We have finalized our racing calendar for the upcoming year. This calendar, which has been reviewed and approved by the New York State Gaming Commission, includes 237 days of racing – 105 at Aqueduct, 92 at Belmont and 40 at Saratoga.

As we look forward to the 2016 calendar, there are a couple of dates I wanted to point out to you, including: June 9, the start of the three day Belmont Stakes Racing Festival, and June 11, the 148th running of the Belmont Stakes—a Belmont Stakes Day which will again feature one of the finest days of racing in America and a great concert that evening;

July 9, for the Stars and Stripes Festival, as some of the world's finest horses compete against America's best;

August 6, for the 89th running of the Whitney, and August 27 for the 147th running of the Travers, both in Saratoga.

And there is one more milestone date in 2016: January 31, when our senior vice president of pari-mutuel operations, Pat Mahony, will celebrate 50 years in the horse racing industry. Pat is here with us today.

Pat is the third generation of Mahonys to play an important role in horseracing. Pat's grandfather, Mort, was a pioneer of modern mutuels, and was responsible for creating our mutuels at Belmont Park and Saratoga in the early 1940's, when the utilization of mutual clerks was first permitted under NY law. Pat's father, Riggs, was also a prominent mutual director and track operator in the 1950's, 60's, and mid-70's. Pat is the most experienced, longest-serving pari-mutuel executive in the thoroughbred industry. He came to NYRA at a crucial point in our history, in 2003, to make our pari-mutuel wagering system more reliable and trustworthy--for which we all are grateful.

On the same day we will celebrate with Pat his 50th anniversary in the business, Pat will retire. And thus I wanted him to come today so that we could take this moment to express our appreciation and gratitude for his integrity, for his important contributions to NYRA, and for his commitment to the horseplayers around the country throughout his career.

Financial Performance

Finally, I would like to move into our report on this year's financial performance, as well as a presentation on the 2016 budget.

For an organization that was previously under bankruptcy protection in recent years, and had not achieved an operating profit in more than a decade, the New York Racing Association's achievement of a \$1.6 million operating surplus in 2014 was truly meaningful. This was the first profit registered in thirteen years and followed the enactment of reforms under the leadership of our Reorganization Board of Directors and new executive management team.

To achieve this milestone, we followed a specific formula for success – improving the quality of our racing product, insuring the safety of our equine and human participants, reducing expenses, raising revenues and generating greater efficiencies. And in 2015, we followed the same formula once again.

The net effect of our efforts in 2015 is a profit of more than \$4 million, the second straight operating profit achieved under this Board and management team, and the first time that the organization has achieved back-to-back operating profits in fifteen years – going back to the years 1999 and 2000.

For the second consecutive year, this surplus was also achieved exclusive of the VLT designated operating funds we receive as a result of the transfer of our real estate holdings to the State a few years ago.

At this meeting, we will ask this board to approve our proposed 2016 operating budget. Employing the same business disciplines and rigor we have instilled over the last two years, we project a third consecutive year of operating profits, a modest one of \$2.3 million.

Year in Review

But before we look to 2016, I thought it appropriate to briefly look back at 2015. There are many reasons to be proud of the changes we made, and the results we achieved.

We introduced a variety of changes that improved the experience for horse racing fans and horseplayers alike. We debuted a new, three day Belmont Stakes Racing Festival, with the draw taking place at the iconic skating rink at Rockefeller Center. Our Racing Festival featured 17 graded stakes races with more than \$10 million in purses. More than \$138.8 million was wagered on Belmont Stakes Day, making it the second-highest handle in NYRA history--falling only behind our handle in the 2014 Belmont Stakes Day.

But looking at it in a larger perspective, our new three day event generated over \$165 million in handle.

In addition to the finest racing card in the country, fans were able to experience a great package of entertainment, including performances by the United States Military Academy at West Point's veteran band, the Jersey Boys, and the Goo Goo Dolls, who also performed a one hour concert after the last race – a concert which helped reduce congestion and modulate traffic flow after the completion of the Belmont Stakes race. In fact, ingress and egress to Saturday's event was dramatically improved not only by the concert but also by careful and inclusive planning, limiting the attendance to 90,000, and by \$5 million in improvements to our LIRR station.

In Saratoga, we opened a state-of-the-art sports bar, the Fourstardave in what was formerly known as the lower Carousel, enabling fans to reserve tables and watch other sporting events in addition to our great races throughout the day. The Fourstardave is adjoined by another new addition: the Tom Durkin Replay Center, where fans can catch 24 of their favorite race calls by our legendary track announcer.

Additionally at the Spa, we opened the Saratoga Race Course Walk of Fame, an open-air pavilion honoring the recipients of the prestigious "Red Jacket" award, created in 2013 to honor the best owners, trainers and jockeys in our sport. This year, we inducted two giants of the game – Marylou Whitney and Ogden "Dinny" Phipps into the Saratoga Walk of Fame, whose plaques now adjoin other Saratoga legends including D. Wayne Lukas, Jerry Bailey, Angel Cordero, Jr., Johnny Velazquez, H. Allen Jerkens and Tom Durkin.

Our continued and combined effort paid off in Saratoga this year, as we set a record for all source handle (\$697,613,499), on track handle (\$157,647,599), and paid attendance (1,065,625).

And we learned from an independent study commissioned by the Saratoga Industrial Development Association in March that our 40 day meet generates approximately \$240 million to the Capitol Region economy, creating more jobs in the important agriculture and tourism sectors. As a tangible manifestation of the economic impact, we generate for that community, this past summer the occupancy tax revenue generated from overnight stays within the city of Saratoga Springs reached a record \$1.38 million dollars -- a 20 percent increase over the comparable period from just three years ago.

On line, we introduced new, state of the art technical enhancements which offered horseplayers and fans a more exciting experience. These enhancements included a reconfigured NYRA.com web portal and new high-definition

video page, an industry first for which visitors can view live streaming NYRA races in HD from multiple, user-selected camera feeds; all with the ability to watch two different feeds simultaneously. These digital feeds include the standard NYRA live racing feed, the Spanish language feed, the head-on camera, paddock camera, and a camera that overlooks the stretch.

Through the use of new, state-of-the-art technology, the approach to the wire is now captured in digital slow motion, allowing horseplayers and fans to watch every breathtaking stride and stretch offered at the finish line.

Our horse racing fans and horseplayers are very important to us, but so also are the backstretch workers. As reflected in our prior meetings, in 2014 we broke ground on a new 47 room dormitory at Belmont, which should open later this month, part of a multi-year \$28 million renovation and new construction program for the backstretch workers.

Conclusion

It has been three years since Governor Cuomo and legislative leaders established this Re-organization board. Working together, we have accomplished a great deal in these important areas:

- Transforming governance and integrity;
- Preserving and then expanding the amount of our considerable economic impact and jobs in this State;
- Obtaining better financial performance and daily operation of the business;
- Requiring greater accountability in every aspect of our business;
- Improving equine safety and the quality of our racing;
- Making the racing experience more enjoyable for our fans; and
- Generating even more tourism—and tourism oriented revenues.

As we move into a new year, the New York Racing Association is positioned to continue this important progress. To this end, our team looks forward to working with our government partners on a final plan of action, one which will benefit the State, its economy, the sport of horseracing and all its stakeholders for 2016 and beyond.