



**THE NEW YORK RACING ASSOCIATION, INC.**

**Board of Directors Meeting**

*December 3, 2014*

**The New York Racing Association, Inc.  
Meeting of the Board of Directors**

Wednesday, December 3, 2014  
10:00 a.m.

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**The New York Racing Association, Inc.  
Meeting of the Board of Directors**

Wednesday, December 3, 2014  
10:00 a.m.

**AGENDA**

1. Approval of November 12, 2014 Minutes
2. Report of the Chair
3. Report of the CEO and President
  - a. Re-privatization efforts
4. Report of the CFO
5. Committee Reports
  - a. Audit & Compliance Committee
  - b. Compensation Committee
  - c. Finance Committee
    - 2015 Operating and Capital Budget
  - d. Nominations & Governance Committee
  - e. Racing Committee
6. Dates for 2015 Board of Directors Meetings
7. 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.**

Conducted on November 12, 2014 at 3:30 p.m.

A regular meeting of the Board of Directors (the “Board”) of The New York Racing Association, Inc. (“NYRA”) was conducted on November 12, 2014 at 3:30 p.m. in the 37<sup>th</sup> 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):

Anthony J. Bonomo  
Rick Cotton  
Michael J. DelGiudice  
Michael Dubb  
C. Steven Duncker  
Robert Flay  
Marc Holliday  
Earle Mack  
Robert Megna  
Barry Ostrager  
Leonard Riggio  
David J. Skorton, *Chair*  
Joseph Spinelli  
Stuart Subotnick  
Vincent Tese  
Charles V. Wait

Chester Broman, *ex officio*

John Hendrickson, Special Advisor for Saratoga  
Michael Kotlikoff, Special Advisor for Equine Health and Safety

The following Directors were not present:

Stuart S. Janney, III  
Richard Violette, *ex officio*

Also present were Christopher Kay, CEO and President; Joseph J. Lambert, Senior Vice President, General Counsel & Corporate Secretary; Susanne Stover, Senior Vice President and Chief Financial Officer and John Durso, Director of Communications & Media Relations.

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

### **Approval of September 29, 2014 Minutes.**

A motion to approve the minutes of the September 29, 2014 meeting of the Board was made by Mr. Spinelli and seconded by Mr. DelGiudice. The resolution was carried without dissent or abstentions and the minutes were added to the permanent records of the corporation. A copy of the resolution is attached hereto as *Exhibit 1*.

### **Report of the Chair.**

Dr. Skorton reported that the Board will begin its formal discussion of the re-privatization plan of NYRA, during which the Board will have the opportunity to discuss and question the potential elements of the plan presented by members of NYRA management. Dr. Skorton also clarified that the Board would not be asked to make any decisions or take any actions at this meeting.

### **Discussion of the Re-privatization Plan.**

Mr. Kay introduced several possible elements of the re-privatization plan, to include legal structure, governance, business plan and legislative and regulatory issues. Mr. Kay stated that this discussion of the re-privatization plan at the meeting initiates a series of discussions before the final plan is submitted to the legislature on or before April 2015.

#### **Legal Structure & Governance**

Mr. Lambert discussed the proposed plan for NYRA's legal structure as required by the applicable statute, Section 207 (1) (d) of the Racing, Pari-Mutuel Wagering and Breeding law. Mr. Lambert also discussed the possible governance structure of NYRA including such matters as Board size and selection, Board terms, and a potential framework for Board committees.

#### **Budget & Three Year Business Plan**

Ms. Stover discussed NYRA's proposed three-year business plan, starting with 2014 actual results, followed by the 2015 approved budget, as well as a draft of the proposed budget for 2016. Ms. Stover indicated that, exclusive of VLT revenue, NYRA will achieve an operating profit for the first time in the last 13 years as a result of revenue enhancing measures and cost cutting initiatives in 2014.

Mr. Kay reported that after consultation with various stakeholders it has been deemed not appropriate for the current, transitional Board to make long-term recommendations regarding real estate development and similar longer term changes to Aqueduct or Belmont racetracks. Mr. Kay also discussed significant enhancements made to Aqueduct Racetrack, devoting more than \$14 million in capital improvements over the past 18 months. Lastly, Mr. Kay discussed the timetable for submission of the reorganization plan and thanked the Board for their ideas, expertise and dedication to the process.

**Other Business.**

Mr. Kay discussed the next Board meeting scheduled for December 3, 2014.

**Adjournment.**

Dr. Skorton called for additional business. There being no further business to come before the Board, the meeting was concluded at 4:38 p.m.

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Joseph J. Lambert



**Board of Directors Meeting Minutes Exhibits – November 12, 2014**

**Exhibit 1**

**SEPTEMBER 29, 2014 BOARD OF DIRECTORS 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 September 29, 2014 Board meeting and the minutes are ordered to be added to the permanent records of the corporation.



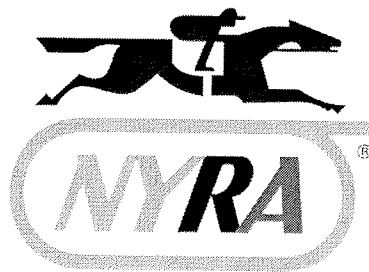
**NOVEMBER 12, 2014 BOARD OF DIRECTORS MINUTES RESOLUTION**

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 November 12, 2014 Board meeting and the minutes are ordered to be added to the permanent records of the corporation.

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# **The New York Racing Association, Inc.**

**Summary of Financial Condition  
and Unaudited Results of Operations  
Third Quarter Ended September 30, 2014  
Compared to Third Quarter Ended September 30, 2013 and  
Budget**



# 2014 Third Quarter Results Compared to 2013 Third Quarter Results and Budget

## EXECUTIVE SUMMARY

### Proforma, Unaudited, Non-GAAP Income Statement

(in thousands)	For Three Months							
	Ending September 30th		Change		Budget	Change		
	2014	2013	\$	%		\$	%	
<b>HANDLE &amp; ATTENDANCE</b>								
Race Days	68	66	2	3.0%	67	1	1.5%	
Attendance (Live Track)	1,061,339	972,685	88,654	9.1%	995,762	65,577	6.2%	
Total Handle (in thousands)	\$890,467	\$904,310	(\$13,843)	(1.5%)	\$921,951	(\$31,485)	(3.5%)	
<b>RACING RELATED REVENUE</b>								
(in thousands)								
	For Three Months							
	Ending September 30th		Change		Budget	Change		
	2014	2013	\$	%		\$	%	
On-track	\$46,283	\$46,074	\$209	0.5%	\$47,604	(\$1,321)	(2.8%)	
Export revenue	37,683	37,220	463	1.2%	36,996	687	1.9%	
New York OTB	7,501	7,994	(493)	(6.2%)	7,847	(346)	(4.4%)	
Sub-total gross pari-mutuel revenue	\$91,467	\$91,288	\$179	0.2%	\$92,447	(\$980)	(1.1%)	
less: Statutory and Other								
Rewards Rebate	\$1,670	\$1,312	\$358	27.3%	\$1,384	\$286	20.7%	
Stakes & Purses	37,433	36,970	463	1.3%	37,551	(119)	(0.3%)	
Other statutory payments	6,688	6,557	131	2.0%	6,654	35	0.5%	
Sub-total Statutory and Other	\$45,791	\$44,839	\$952	2.1%	\$45,588	\$203	0.4%	
Net wagering revenue	\$45,676	\$46,449	(\$773)	(1.7%)	\$46,859	(\$1,183)	(2.5%)	
Other revenue, net	\$5,560	\$5,282	\$278	5.3%	\$5,894	(\$334)	(5.7%)	
On-track racing related revenue, net	11,225	9,210	2,015	21.9%	11,005	220	2.0%	
Net Revenue From Racing Operations	\$62,462	\$60,941	\$1,521	2.5%	\$63,757	(\$1,296)	(2.0%)	
<b>OPERATING EXPENSES</b>								
Labor Expense	\$23,351	\$23,989	(\$638)	(2.7%)	\$23,520	(\$169)	(0.7%)	
Operating Supplies	797	1,001	(204)	(20.4%)	955	(158)	(16.5%)	
Utilities	1,421	1,655	(234)	(14.2%)	1,609	(189)	(11.7%)	
Temporary Help and Outside Services	5,788	6,931	(1,144)	(16.5%)	6,795	(1,007)	(14.8%)	
Cable Contract/Video Streaming	653	691	(38)	(5.4%)	646	7	1.1%	
Telephone & Communications	1,642	2,002	(361)	(18.0%)	1,851	(210)	(11.3%)	
Professional Fees:								
Legal Fees	197	31	166	533.8%	393	(196)	(49.9%)	
Consulting	544	1,054	(510)	(48.4%)	602	(58)	(9.6%)	
TOTE Expense	535	837	(303)	(36.1%)	622	(87)	(14.0%)	
Rentals & Leases	1,227	1,196	30	2.5%	1,111	116	10.4%	
Repairs & Maintenance	2,216	2,405	(189)	(7.9%)	1,937	279	14.4%	
Insurance	2,014	1,979	36	1.8%	1,994	20	1.0%	
Marketing & Advertising	1,500	1,385	115	8.3%	1,312	188	14.4%	
Other Expenses	4,079	4,692	(613)	(13.1%)	4,375	(296)	(6.8%)	
Total Operating Expenses	\$45,964	\$49,849	(\$3,886)	(7.8%)	\$47,721	(\$1,758)	(3.7%)	
Operating Income/(Loss) From Racing	\$16,498	\$11,091	\$5,407	48.7%	\$16,036	\$462	2.9%	
Plus: Net VLT Revenue (Net of Purses)*	14,256	14,168	88	0.6%	14,172	84	0.6%	
Total Operating Income/(Loss)	\$30,754	\$25,259	\$5,495	21.8%	\$30,208	\$546	1.8%	
Less: Non-Operating Expenses	8,749	6,220	2,529	40.7%	13,520	(4,771)	(35.3%)	
Net Income/(Loss)	\$22,005	\$19,039	\$2,966	15.6%	\$16,688	\$5,317	31.9%	

\*3rd Qtr Gross VLT Revenue totaled \$29.4 million for 2014, compared to \$28.2 million for 2013 and \$29.2 million budgeted.

\*3rd Qtr VLT purses (not included in Net VLT Revenue) totaled \$15.0 million for 2014, compared to \$14.0 million for 2013 and \$15.0 million budgeted.

\*3rd Qtr VLT Funded Jockey Health Insurance (not included in Net VLT Revenue) totaled \$227,000 for 2014.

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

## HANDLE STATISTICS

### THIRD QUARTER 2014 COMPARED TO THIRD QUARTER 2013 AND BUDGET

	For the Three Months Ending September 30th		Change		BUDGET	Change	
	2014	2013	\$	%		\$	%
<b>RACING DAYS</b>	68	66	2	3.0%	67	1	1.5%
ATTENDANCE - Live Race Days, Live Track	1,061,339	972,685	88,654	9.1%	995,762	65,577	6.6%
ATTENDANCE - Live Race Days, Non-Live Track	176,528	174,874	1,654	0.9%	180,248	-3,720	-2.1%
DAILY AVERAGE ATTENDANCE at Live Track	15,608	14,738	870	5.9%	14,862	746	5.0%
PER-CAPITA BET ON LIVE DAYS AT LIVE TRACK	\$131	\$144	(\$13)	-9.0%	\$144	(\$13)	-9.0%
<b>ON-TRACK HANDLE COMPONENTS</b>							
ADW (PHONE, INTERNET & ON-TRACK)	\$89,033,709	\$79,622,728	\$9,410,981	11.8%	\$83,816,001	\$5,217,707	6.2%
SARATOGA	99,186,905	100,905,934	-1,719,028	-1.7%	101,612,790	-2,425,885	-2.4%
BELMONT	28,741,070	32,802,931	-4,061,861	-12.4%	33,952,812	-5,211,742	-15.3%
AQUEDUCT	39,915,082	36,683,917	3,231,165	8.8%	39,719,814	195,268	0.5%
TOTAL NYRA ON-TRACK HANDLE	\$256,876,765	\$250,015,509	\$6,861,256	2.7%	\$259,101,417	-\$2,224,652	-0.9%
DAILY AVERAGE ON-TRACK HANDLE	\$3,777,599	\$3,788,114	-\$10,514	-0.3%	\$3,867,185	-\$89,586	-2.3%
<b>OFF-TRACK HANDLE (EXPORT)</b>							
NYOTB DOWNSTATE	\$38,320,590	\$41,732,615	-\$3,412,025	-8.2%	\$34,649,045	\$3,671,545	10.6%
NYOTB UPSTATE	29,680,652	29,798,761	-118,109	-0.4%	29,867,411	-186,759	-0.6%
NY INTER-TRACK WAGERING	15,513,752	16,011,972	-498,220	-3.1%	21,868,428	-6,354,676	-29.1%
OUT-OF-STATE	544,148,871	561,909,161	-17,760,290	-3.2%	571,440,264	-27,291,392	-4.8%
INTERNATIONAL SEPARATE POOL	5,926,068	4,841,532	1,084,536	22.4%	5,024,674	901,394	17.9%
TOTAL OFF-TRACK (EXPORT)	\$633,589,933	\$654,294,041	-\$20,704,108	-3.2%	\$662,849,821	-\$29,259,888	-4.4%
DAILY AVERAGE OFF-TRACK HANDLE	\$9,317,499	\$9,913,546	-\$596,047	-6.0%	\$9,893,281	-\$575,782	-5.8%
<b>TOTAL HANDLE</b>	\$890,466,698	\$904,309,550	-\$13,842,852	-1.5%	\$921,951,239	-\$31,484,540	-3.4%
<b>DAILY AVERAGE TOTAL HANDLE</b>	\$13,095,099	\$13,701,660	-\$606,561	-4.4%	\$13,760,466	-\$665,368	-4.8%

- **Racing Calendar**

Financial results for the three months ended September 30, 2014 were impacted by Stars and Stripes Day, the Saratoga meet and an additional day added to the Belmont Fall meet. During the third quarter there were 68 scheduled race days, two more race days compared to last year.

The budget assumed a schedule of 67 race days which did not include the additional day added to the Belmont Fall meet.

- **Handle and Attendance Results**

Estimated cumulative on-track attendance at the track conducting live racing for the three months ended September 30, 2014 was 1,061,339, an increase of 88,654 or 9% compared to the same period last year. The increase in attendance at Saratoga is attributable to increased season pass holders who are counted in attendance figures each day regardless of whether they are on track (this is the same policy used by professional sports) offset by the reduction of counting "spinners" which was done in the prior year. Season Pass sales increased from 753 season passes in 2013 to 6,705 in 2014 with a big sales push including the ability to purchase passes in Stewart's shops in 2014. The estimated average on-track per-capita bet of \$131 at the live track decreased \$13 from prior year and budget.

Estimated attendance at the simulcast location was 176,528, an increase of 1,654 or 1% compared to last year. The increase in attendance is primarily attributable to the new Longshots simulcast facility at Aqueduct which has seen a steady growth in attendance figures, totaling 42,456 since opening in early April.

NYRA generated \$890.5 million in total handle, a decrease of \$13.8 million or 1.5% compared to the same period last year. Total handle was lower than budget by \$31.5 million or 3.4%. Comparison to budget was impacted by a \$29.3 million or 4.4% decrease in export handle primarily due to reduced field size, and an industry wide downturn of 4.5%.

During the third quarter of 2014, NYRA had an average field size of 7.9 compared to 8.1 in the prior year. Average handle per betting interest of \$145,773 decreased 2% compared to last year.

- **Net Revenue From Racing Operations**

NYRA earned net revenue from racing operations totaling \$62.5 million, an increase of \$1.5 million or 2.5% compared to last year and \$1.3 million or 2.0% lower than budget. The increase in net revenue from racing operations compared to last year is primarily due to increases in other on-track racing related revenues including admissions, reserved seats, food concessions, and season passes due to price increases implemented for the 2014 Saratoga meet. Net revenue from racing operations was lower than budget due to lower than expected net wagering revenue.

- **Operating Expenses**

Operating expenses of \$46.0 million decreased 7.8% compared to prior year primarily due to a \$1.1 million decrease in temporary help and outside services (due to new contracts with favorable terms in Saratoga for TV broadcasting and cleaning), \$638,000 decrease in labor expense (favorable retroactive accrual adjustments for cleaning and security and increased capitalized labor in 2014), \$613,000 decrease in other expenses (lower bank charges resulting from a change in vendor for NYRA Rewards, a decrease in charitable contributions, and lower training and seminars expense associated with new CEO onboarding and mentoring in 2013), \$361,000 decrease in telephone and communications (reduced wagering data service costs resulting from lower call volume, reduced hosting fees and a payment for a settlement reached with Simply Say in 2013), \$344,000 decrease in professional fees (attributable to a decrease in audit fees associated with one time fees in 2013 for adoption of GASB, pension and investigation review, partially offset by increased legal fees due to a \$727K insurance settlement received in September 2013 for NYRA's costs in connection with the 2011 take-out error), and a \$303,000 decrease in tote expense (change from United Tote to Amtote).

Operating expenses were 3.7% below budget primarily due to lower than expected temporary help and outside services.

- **Operating Income/(Loss) From Racing Operations**

NYRA earned operating income from racing operations of \$16.5 million, an increase of \$5.4 million compared to last year, and \$462,000 higher than budgeted. The favorable results compared to last year are due to a \$3.9 million decrease in operating expenses and a \$2.3 million increase in other and on-track racing related revenues. The \$462,000 increase from budget is due to the combination of \$1.8 million lower operating expenses and \$1.3 million higher net revenue from racing operations.



- **VLT Revenue**

NYRA earned \$29.4 million in VLT revenue of which \$15.1 million was allocated for stakes and purses, \$8.1 million for capital expenditures and \$6.1 million for NYRA operations. Gross VLT revenue for the three months increased \$1.2 million or 4% compared to prior year due to higher WPM levels (\$442 versus \$440) at Resorts World and an increase in the percentage received towards stakes and purses funding. VLT revenue was budgeted in line with 2013 results.

- **Non-Operating Expenses**

Non-operating expenses totaling \$8.7 million (consisting of retiree benefits, pension, depreciation, interest and income tax expenses), increased \$2.5 million or 40.7% compared to last year and were lower than budget by \$4.8 million or 35.3%. The increase in non-operating expenses compared to last year is primarily due to a \$1.9 million increase in income tax as NYRA utilized its remaining net operating loss carryforwards to offset taxable income in 2013. The decrease in non-operating expenses compared to budget is primarily due to the third quarter tax provision not being calculated or booked as of the writing of this document.

- **Net Income/(Loss)**

NYRA earned net income of \$22.0 million, an increase of \$3.0 million compared to last year due to a \$3.9 million decrease in operating expenses, and a \$1.5 million increase in net revenue from racing operations, offset by a \$2.5 million increase in non-operating expenses.

Net income was \$5.3 million higher than budgeted due to a \$4.8 million decrease in non-operating expenses and a \$1.8 million decrease in operating expenses, offset by a \$1.3 million decrease in net revenue from racing operations.

- **Capital Projects**

During the third quarter of 2014, NYRA spent \$7.1 million on capital improvements including \$2.0 million on capital projects budgeted in the prior year. Major expenditures included patron area improvements at all three race tracks, including upgrades to the Belmont Room and the Porch Extension at Saratoga. Additionally, there were upgrades to the barn area at all three tracks, the purchase of fleet equipment including a new dump truck, mower and the lease buyouts of tractors and loaders and new video boards and flat screen televisions.

- **Industry Update**

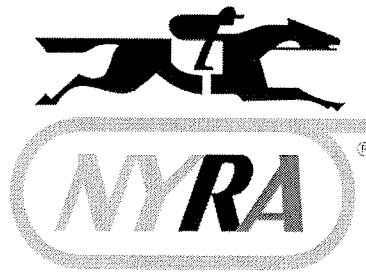
Based on information provided by Equibase, for the three months ended September 30, 2014, wagering on U.S. races decreased 4% compared to a 2% decrease in wagering on NYRA races. NYRA contributed 5% of total industry race days, offered 19% of purses and generated 30% of thoroughbred handle across the United States. Every dollar invested in purses at NYRA during the three months ended September 30, 2014 yielded \$12.79 in handle compared to \$8.18 industry-wide.



# **The New York Racing Association, Inc.**

## **Summary of Financial Condition and Unaudited Results of Operations**

**For the Nine Months Ended September 30, 2014  
Compared to the Nine Months Ended September 30, 2013 and  
Budget**



# Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013 and Budget

## EXECUTIVE SUMMARY

### Proforma, Unaudited, Non-GAAP Income Statement

(in thousands)	For Nine Months				Budget	Change	
	Ending September 30th		Change			\$	%
	2014	2013	\$	%			
<b>HANDLE &amp; ATTENDANCE</b>							
Race Days	184	179	5	2.8%	182	2	1.1%
Attendance (Live Track)	1,567,089	1,463,287	103,802	7.1%	1,491,862	75,227	4.8%
Total Handle (in thousands)	\$2,001,649	\$1,982,580	\$19,069	1.0%	\$2,019,556	(\$17,908)	(0.9%)
<b>RACING RELATED REVENUE</b>							
(in thousands)							
	For Nine Months					Change	
	Ending September 30th		Change			\$	%
	2014	2013	\$	%	Budget		
On-track	\$95,159	\$95,009	\$150	0.2%	\$97,655	(\$2,496)	(2.6%)
Export revenue	86,272	81,333	4,939	6.1%	82,992	3,280	4.0%
New York OTB	20,360	21,423	(1,063)	(5.0%)	21,522	(1,162)	(5.4%)
Sub-total gross pari-mutuel revenue	\$201,791	\$197,766	\$4,025	2.0%	\$202,169	(\$378)	(0.2%)
less: Statutory and Other							
Rewards Rebate	\$3,523	\$2,559	\$964	37.7%	\$2,673	\$850	31.8%
Stakes & Purses	85,438	82,591	2,848	3.4%	85,597	(159)	(0.2%)
Other statutory payments	13,662	13,467	194	1.4%	13,797	(135)	(1.0%)
Sub-total Statutory and Other	\$102,623	\$98,617	\$4,006	4.1%	\$102,067	\$556	0.5%
Net wagering revenue	\$99,169	\$99,149	\$19	0.0%	\$100,102	(\$934)	(0.9%)
Other revenue, net	\$13,365	\$10,645	\$2,721	25.6%	\$13,506	(\$141)	(1.0%)
On-track racing related revenue, net	16,458	12,397	4,061	32.8%	14,609	1,850	12.7%
Net Revenue From Racing Operations	\$128,993	\$122,191	\$6,801	5.6%	\$128,217	\$775	0.6%
<b>OPERATING EXPENSES</b>							
Labor Expense	\$64,764	\$64,636	\$128	0.2%	\$64,649	\$116	0.2%
Operating Supplies	2,296	2,372	(76)	(3.2%)	2,299	(3)	(0.1%)
Utilities	5,317	5,382	(65)	(1.2%)	5,191	126	2.4%
Temporary Help and Outside Services	9,862	10,308	(446)	(4.3%)	11,025	(1,163)	(10.5%)
Cable Contract/Video Streaming	1,938	2,124	(185)	(8.7%)	1,938	0	0.0%
Telephone & Communications	4,523	5,095	(573)	(11.2%)	4,909	(386)	(7.9%)
Professional Fees:							
Legal Fees	982	1,477	(496)	(33.6%)	1,178	(196)	(16.6%)
Consulting	2,355	2,965	(610)	(20.6%)	2,928	(573)	(19.6%)
TOTE Expense	1,594	1,946	(352)	(18.1%)	1,799	(205)	(11.4%)
Rentals & Leases	2,444	2,365	79	3.3%	2,224	221	9.9%
Repairs & Maintenance	6,230	5,360	870	16.2%	5,224	1,006	19.2%
Insurance	5,686	5,962	(276)	(4.6%)	5,985	(299)	(5.0%)
Marketing & Advertising	2,609	3,544	(934)	(26.4%)	3,662	(1,053)	(28.8%)
Other Expenses	6,831	7,885	(1,054)	(13.4%)	7,622	(791)	(10.4%)
Total Operating Expenses	\$117,432	\$121,422	(\$3,990)	(3.3%)	\$120,634	(\$3,202)	(2.7%)
Operating Income/(Loss) From Racing	\$11,561	\$770	\$10,791	1402.3%	\$7,584	\$3,977	52.4%
Plus: Net VLT Revenue	42,228	41,406	821	2.0%	41,410	817	2.0%
Total Operating Income/(Loss)	\$53,789	\$42,176	\$11,613	27.5%	\$48,994	\$4,795	9.8%
Less: Non-Operating Expenses	22,834	(5,394)	28,227	(523.3%)	25,674	(2,841)	(11.1%)
Net Income/(Loss)	\$30,955	\$47,570	(\$16,615)	(34.9%)	\$23,320	\$7,635	32.7%

\*YTD Gross VLT Revenue totaled \$87.0 million for 2014, compared to \$82.5 million for 2013 and \$85.4 million budgeted.

\*YTD VLT purses (not included in Net VLT Revenue) totaled \$44.3 million for 2014, compared to \$41.1 million for 2013 and \$44.0 million budgeted.

\*YTD VLT Funded Jockey Health Insurance (not included in Net VLT Revenue) totaled \$455,000 for 2014.

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

## HANDLE STATISTICS

For the nine months ended September 30, 2014 compared to the nine months ended  
September 30, 2013 and budget

	For the Nine Months Ending September 30th		Change		BUDGET	Change	
	2014	2013	\$	%		\$	%
RACING DAYS	184	179	5	2.8%	182	2	1.1%
ATTENDANCE - Live Race Days, Live Track	1,567,089	1,463,287	103,802	7.1%	1,491,863	75,226	5.0%
ATTENDANCE - Live Race Days, Non-Live Track	330,633	321,434	9,199	2.9%	328,153	2,480	0.8%
DAILY AVERAGE ATTENDANCE at Live Track	8,517	8,175	342	4.2%	8,197	320	3.9%
<b>ON-TRACK HANDLE COMPONENTS</b>							
ACCOUNT WAGERING: PHONE	\$39,897,376	\$46,845,286	-\$6,947,910	-14.8%	\$60,707,589	-\$10,810,213	-21.3%
INTERNET	107,001,368	92,754,672	14,246,696	15.4%	98,296,414	8,705,964	8.9%
BELMONT	25,872,244	26,163,879	-291,636	-1.1%	25,104,088	768,155	3.1%
AQUEDUCT	33,269,799	21,999,622	11,270,178	51.2%	22,213,155	11,056,644	49.8%
SARATOGA	14,964,883	11,659,309	3,305,674	28.4%	11,823,646	3,141,237	26.6%
ADW (PHONE, INTERNET & ON-TRACK)	\$221,005,670	\$199,422,768	\$21,582,902	10.8%	\$208,143,892	\$12,861,778	6.2%
SARATOGA	99,186,905	100,905,934	-1,719,028	-1.7%	101,612,790	-2,425,885	-2.4%
BELMONT	90,821,523	97,678,153	-6,856,630	-7.0%	99,917,003	-9,095,480	-9.1%
AQUEDUCT	134,377,984	136,211,866	-1,833,873	-1.3%	142,912,169	-8,534,186	-6.0%
TOTAL NYRA ON-TRACK HANDLE	\$645,392,082	\$634,218,711	\$11,173,371	2.1%	\$662,686,854	-\$7,193,773	-1.3%
DAILY AVERAGE ON-TRACK HANDLE	\$2,964,087	\$2,984,462	-\$20,375	-0.7%	\$3,036,186	-\$72,099	-2.4%
<b>OFF-TRACK HANDLE (EXPORT)</b>							
NYOTB DOWNSTATE	\$94,444,119	\$99,494,184	-\$5,050,065	-5.1%	\$90,864,701	\$3,679,418	3.9%
NYOTB UPSTATE	68,747,573	68,106,681	640,992	1.1%	67,870,602	876,971	1.6%
NY INTER-TRACK WAGERING	35,100,752	35,449,670	-348,918	-1.0%	41,108,050	-6,007,298	-14.6%
OUT-OF-STATE	1,247,366,427	1,237,207,621	10,158,806	0.8%	1,257,997,549	-10,631,122	-0.8%
INTERNATIONAL SEPARATE POOL	20,597,687	18,103,050	2,494,638	13.8%	19,129,492	1,468,196	7.7%
TOTAL OFF-TRACK (EXPORT)	\$1,466,256,558	\$1,448,361,105	\$17,895,453	0.5%	\$1,466,970,393	-\$10,713,835	-0.7%
DAILY AVERAGE OFF-TRACK HANDLE	\$7,914,438	\$8,091,403	-\$176,965	-2.2%	\$8,060,277	-\$145,839	-1.8%
TOTAL HANDLE	\$2,001,648,640	\$1,982,679,816	\$19,068,824	1.0%	\$2,019,556,248	-\$17,907,608	-0.9%
DAILY AVERAGE TOTAL HANDLE	\$10,878,525	\$11,075,865	-\$197,340	-1.8%	\$11,096,463	-\$217,938	-2.0%

- **Racing Calendar**

In the nine months ended September 30, 2014, there were 184 race days, including seven race days cancelled due to inclement weather. During the same period last year, there were 179 race days, including five race days cancelled due to inclement weather.

- **Handle and Attendance Results**

Estimated cumulative on-track attendance at the track conducting live racing was 1,567,089, an increase of 7% compared to the same period last year. The increase in attendance was heavily impacted by Belmont Stakes which had a triple crown potential and the third largest attendance on record, and an increase in attendance for the Saratoga meet.

Estimated attendance at the simulcast location was 330,633, an increase of 3% compared to last year, primarily attributable to the new Longshots simulcast facility at Aqueduct which has seen a steady growth in attendance figures, totaling 42,456 since opening in early April.

NYRA generated \$2.00 billion in total handle compared to \$1.98 billion last year, an increase of 1%, attributable to the \$62.9 million or 69% increase in handle on Belmont Stakes Day. Handle was \$17.9 million, or 1% lower than budget due to decreases during the Aqueduct and Saratoga meets offset by higher than expected handle on Belmont Stakes Day.

In the nine months ended September 30, 2014, NYRA had an average field size of 7.5 compared to 7.7 in the prior year due to a continued declining foal crop trend and decreases in claiming and maiden claiming races. Average handle per betting interest of \$133,811 increased 3% compared to last year, showing the effects of Belmont Stakes Day.

- **Belmont Stakes Day**

Belmont Stakes Day was a record breaking day with an increased amount of stakes races, enhancements to the entertainment offerings and Triple Crown potential. Total all source handle generated on Belmont Stakes Day was \$153.9 million, an increase of \$62.9 million or 69% compared to last year and \$42.9 million or 39% higher than the previous record set in 2004. Total handle on Belmont Stakes Day exceeded budget by \$62.5 million or 68%.

- **Excluding Belmont Stakes Day**

For the nine months ended September 30, 2014, operating income from racing operations excluding Belmont Stakes Day was \$1.3 million before VLT funds, an increase of \$5.9 million compared to last year. Operating income from racing operations excluding Belmont Stakes Day was \$895K lower than budgeted year to date impacted by reduced field size and extreme weather conditions during the first quarter.

- **Net Revenue From Racing Operations**

NYRA earned net revenue from racing operations totaling \$129.0 million, an increase of \$6.8 million or 6% compared to last year and \$775K or 1% higher than budgeted. While net wagering revenue was basically flat, the increase in net revenue from racing operations was generated from other on-track racing related revenues. Due to increased admission prices, ADW source market fees, increases in sponsorship revenue, and TV production fee revenue. Net revenue from racing operations was higher than budget due to a \$1.9 million favorable increase in on-track racing related revenue resulting from Belmont Stakes Day and the Saratoga meet, offset by \$1 million lower than expected net wagering revenue.

- **Operating Expenses**

Operating expenses of \$117.4 million decreased \$4.0 million or 3% compared to prior year:

- Professional Fees decreased \$1.1 million due to decreases in consulting (primarily due to decreased audit fees associated with one time fees in 2013 for adoption of GASB, partially offset by long term planning costs in the current year) and legal fees.
- Other expenses decreased \$1.1 million due to a \$500K credit resulting from finalization of a sales tax audit and decreases in bad debt expense, charitable donations, and bank charges.
- Marketing and advertising expense decreased \$934K primarily due to national exposure for Belmont Stakes Day, a 2013 fan festival in Grand Central Terminal not repeated in 2014, and a subway car campaign in 2013.
- Telephone & communications expense decreased \$573K due to reduced wagering data service costs from lower call volume and reduced fees.
- Temporary help & outside services expense decreased \$446K due to a new TV broadcast contract and a new vendor for Saratoga cleaning, offset by costs associated with an enhanced Belmont Stakes Day.
- Tote expense decreased \$352K due to the change in Tote provider.
- Insurance expense decreased \$276K due to a reduction in unemployment insurance cost and a favorable plan adjustment.
- Repairs & maintenance expense increased \$870K primarily due to increased manure removal expense due to an increase in the usage of pellets.

Operating expenses were \$3.2 million or 3% below budget primarily due to lower than expected marketing, temporary help and outside services. Savings were achieved from the new broadcast contract, other expenses (sales tax, bad debt expense and charitable donations), consulting expense, telephone & communications expense (lower wagering and data service costs, due to reduced call volume), insurance expense (reduction in unemployment insurance cost) and legal fees offset by higher than expected repairs & maintenance.

- **Operating Income/(Loss) From Racing Operations**

NYRA had operating income from racing operations totaling \$11.5 million, an increase of \$10.8 million compared to last year and a \$4.0 million increase from budget. The increase in income compared to last year is due to a \$6.8 million increase in net revenue from racing operations and a \$4.0 million decrease in operating expenses. The increase in income compared to budget is primarily due to a \$3.2 million favorable variance in operating expenses.

- **VLT Revenue**

NYRA earned \$87.0 million in VLT revenue of which \$44.8 million was available for stakes and purses, \$24.1 million for capital expenditures and \$18.1 million for operations. Gross VLT revenue increased \$4.5 million or 5% compared to last year due to a 0.50% increase in purse funding effective October 28, 2013 as well as an \$8 or 2% increase in WPM results at Resorts World. In the nine months ended September 30, 2014, WPM averaged \$441 compared to an average of \$433 during the same period last year.

- **Non-Operating Expenses**  
 Non-operating expenses of \$22.8 million increased \$28.2 million compared to last year and were lower than budget by \$2.8 million. Primarily due to the release of a \$25 million deferred tax asset valuation allowance in June 2013. Non-operating expenses were lower than budget due to the third quarter tax provision not being recorded until Q4 2014, partially offset by higher than expected pension expense.
- **Net Income/(Loss)**  
 NYRA earned net income of \$30.9 million, a decrease of \$16.6 million compared to last year and \$7.6 million higher than budgeted. The variance to last year is due to the release of \$25 million deferred tax asset valuation allowance partially offset by increased net revenue from racing operations and decreased operating expenses. The variance to budget is due to higher than expected net revenue from racing operations and lower than expected operating and non-operating expenses.
- **Capital Projects**  
 In the nine months ended September 30, 2014, NYRA spent \$17.3 million on capital improvements. Major expenditures included patron area improvements at all three race tracks including Longshots, video boards and upgrades to the first floor at Aqueduct, television upgrades, ADA compliant restrooms at Belmont, and new video boards, televisions and restroom upgrades at Saratoga. Significant backstretch area improvements included renovations to dormitories in Saratoga, barn roofs and the construction of a new barn in Belmont, and electrical upgrades and dorm renovations at Aqueduct. Other spending included costs related to the enhanced internet platform, work related to CAFO at Belmont, security cameras, Saratoga Trakus installation and fleet equipment.
- **\$25 Million Genting LLC Loan Facility**  
 The loan with Genting LLC was repaid in full on April 4, 2014.
- **Industry Update**  
 Based on information provided by Equibase, wagering on U.S. races decreased 3% compared to a 1% increase in wagering on NYRA races. NYRA contributed 5% of total industry race days, offered 15% of purses and generated 21% of thoroughbred handle across the United States. Every dollar invested in purses at NYRA during the nine months ended September 30, 2014 yielded \$13.74 in handle compared to \$9.73 industry-wide.



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# **The New York Racing Association, Inc.**

**2015 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

NYRA is planning to re-privatize in 2015 in accordance with the 2012 Reorganization Act. Leveraging the progress made in 2014 on enhancing revenue and the overall guest experience as well as initiating new projects and events in 2015 will continue to strengthen the financial foundation and business plan.

As part of the State settlement agreement in 2008, NYRA entered into a land transfer transaction in exchange for a franchise extension and video lottery terminal (VLT) revenues to be used for enhancing purses, capital projects and operations. As NYRA looks forward to the future, the goal is to operate the racing side of the business more efficiently and effectively and to be profitable without VLT's. NYRA intends to use VLT operating monies to fund pension and post retirement obligations and to specifically invest in other revenue generating initiatives rather than using those funds to pay for operating deficits.

For 2015, 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 from 2014. NYRA projects an operating profit of \$2.1 million exclusive of VLT operating funds, compared to an operating profit of \$1.5 million projected in 2014. (*See Exhibit 1 - Operating Income From Racing Operations*)

To achieve this goal, NYRA has identified a number of strategic initiatives to enhance revenues and reduce expenses. On the revenue side, NYRA is launching additional improvements to enhance its ADW technology and Customer Relationship Management platforms in the future as well as increasing sponsorship revenue in 2015. NYRA is continuing to develop big race days and focus on building the strength of the New York Breeders. We are also looking at continued changes to the racing calendar to improve field size and handle. The rollout of a national ADW is a strategy for long term growth that NYRA is pursuing. NYRA also plans to selectively increase prices for admissions, box seats, and parking and the fee charged for NYRA's simulcast signal.

NYRA is also focused on reducing operating expenses. In this regard, NYRA plans to close Aqueduct's training center during non-racing months (five months versus six weeks in 2014), reduce costs related to NYRA's phone wagering operation through renegotiation of the cable contract with the City of New York, close the Belmont Café on unprofitable days in which NYRA is not conducting live racing, reduce overall labor expense and improve technology and process efficiencies throughout the organization. NYRA expects to invest in certain strategic hires and in long term planning to allow for sustained growth in the future.

### **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 and the successful changes to NYRA's ADW, success of marketing/sponsorship initiatives, 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.

Including the VLT operating monies of \$23.9 million, NYRA projects operating income of \$26.0 million. Excluding VLT capital funds of \$31.9 million and factoring in the high costs associated with non-operating expenses such as retiree benefits, pension, depreciation and income tax expense it leaves NYRA with an overall deficit. Therefore, although NYRA will be operating at a profit of \$2.1 million before VLT operating monies, due to these high costs, NYRA will operate at a deficit even with VLT operating monies.

### **Capital Expenditures**

NYRA expects to receive \$31.9 million of VLT capital monies in 2015. The 2015 Capital Budget totals \$36.2 and includes projects that will continue to improve the guest experience, improve the quality of life and the safety of backstretch workers and improve the infrastructure of all three tracks.

### **VLT Funds for Stakes & Purses**

NYRA expects to receive \$59.1 million of VLT purse monies of which \$58.2 million will be used to fund purses and \$887,000 will be dedicated to jockey health insurance.

# NYRA HANDLE AND OTHER RELEVANT STATISTICS 2015 BUDGET COMPARED TO 2014 BUDGET AND 2014 FORECAST

## HANDLE Live On-Track, Export, Import

(in thousands)	BUDGET	%	BUDGET	%	FORECAST	%	% BUDGET 2015	% BUDGET 2015
	2015	Share	2014	Share	2014	Share	vs. BUDGET 2014	vs. FORECAST 2014
<b>AQUEDUCT WINTER</b>								
Race dates	67		68		72		-1%	-7%
Live	\$60,460	12%	\$60,814	11%	\$61,159	11%	-1%	-1%
Export	\$360,265	69%	\$382,691	70%	\$389,814	70%	-6%	-8%
Import	\$97,754	19%	\$104,027	19%	\$102,317	18%	-6%	-4%
<b>Total Handle</b>	<b>\$518,479</b>	<b>100%</b>	<b>\$547,531</b>	<b>100%</b>	<b>\$553,290</b>	<b>100%</b>	<b>-5%</b>	<b>-6%</b>
<b>BELMONT SPRING</b>								
Race dates	59		57		54		4%	9%
Live	\$90,647	13%	\$82,275	12%	\$84,627	13%	10%	7%
Export	\$527,843	77%	\$503,593	77%	\$514,503	77%	5%	3%
Import	\$70,348	10%	\$72,339	11%	\$65,412	10%	-3%	8%
<b>Total Handle</b>	<b>\$688,837</b>	<b>100%</b>	<b>\$658,207</b>	<b>100%</b>	<b>\$664,542</b>	<b>100%</b>	<b>5%</b>	<b>4%</b>
<b>SARATOGA</b>								
Race dates	40		40		40		0%	0%
Live	\$151,088	25%	\$151,269	24%	\$150,387	24%	0%	0%
Export	\$419,474	69%	\$447,211	70%	\$425,446	69%	-6%	-1%
Import	\$41,611	7%	\$41,831	7%	\$41,370	7%	-1%	1%
<b>Total Handle</b>	<b>\$612,173</b>	<b>100%</b>	<b>\$640,311</b>	<b>100%</b>	<b>\$617,204</b>	<b>100%</b>	<b>-4%</b>	<b>-1%</b>
<b>BELMONT FALL</b>								
Race dates	38		37		38		3%	0%
Live	\$37,254	12%	\$43,826	13%	\$37,604	12%	-15%	-1%
Export	\$215,881	72%	\$259,547	76%	\$243,193	75%	-17%	-11%
Import	\$47,718	16%	\$39,686	12%	\$41,907	13%	20%	14%
<b>Total Handle</b>	<b>\$300,854</b>	<b>100%</b>	<b>\$343,058</b>	<b>100%</b>	<b>\$322,704</b>	<b>100%</b>	<b>-12%</b>	<b>-7%</b>
<b>AQUEDUCT FALL</b>								
Race dates	39		41		40		-5%	-3%
Live	\$37,677	15%	\$44,750	14%	\$37,656	13%	-16%	0%
Export	\$163,539	67%	236,270	72%	\$198,751	68%	-31%	-18%
Import	\$43,647	18%	47,361	14%	\$54,313	19%	-8%	-20%
<b>Total Handle</b>	<b>\$244,863</b>	<b>100%</b>	<b>\$328,381</b>	<b>100%</b>	<b>\$290,720</b>	<b>100%</b>	<b>-25%</b>	<b>-16%</b>
<b>TOTAL</b>								
Race dates	243		243		244		0%	0%
Live	\$377,126	16%	\$382,934	15%	\$371,434	15%	-2%	2%
Export	\$1,687,002	71%	\$1,829,311	73%	\$1,771,706	72%	-8%	-5%
Import	\$301,079	13%	\$305,243	12%	\$305,319	12%	-1%	-1%
<b>Total Handle</b>	<b>\$2,365,206</b>	<b>100%</b>	<b>\$2,517,488</b>	<b>100%</b>	<b>\$2,448,459</b>	<b>100%</b>	<b>-6%</b>	<b>-3%</b>

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

## DAILY AVERAGE HANDLE

### Live On-Track, Export, Import

(in thousands)	BUDGET 2015	BUDGET 2014	FORECAST 2014	% BUDGET 2015 vs. BUDGET 2014	% BUDGET 2015 vs. FORECAST 2014
<u>AQUEDUCT WINTER</u>					
Live	\$902	\$894	\$849	1%	6%
Export	\$5,377	\$5,628	\$5,414	-4%	-1%
Import	\$857	\$882	\$867	-3%	-1%
Total Handle	<u>\$7,137</u>	<u>\$8,052</u>	<u>\$7,685</u>	<u>-5%</u>	<u>-7%</u>
<u>BELMONT SPRING</u>					
Live	\$1,536	\$1,443	\$1,567	6%	-2%
Export	\$8,946	\$8,835	\$9,528	1%	-6%
Import	\$837	\$927	\$839	-10%	0%
Total Handle	<u>\$11,675</u>	<u>\$11,547</u>	<u>\$11,934</u>	<u>3%</u>	<u>-2%</u>
<u>SARATOGA</u>					
Live	\$3,777	\$3,782	\$3,760	0%	0%
Export	\$10,487	\$11,180	\$10,636	-6%	-1%
Import	\$832	\$837	\$827	-1%	1%
Total Handle	<u>\$15,304</u>	<u>\$16,008</u>	<u>\$15,430</u>	<u>-4%</u>	<u>-1%</u>
<u>BELMONT FALL</u>					
Live	\$980	\$1,184	\$990	-17%	-1%
Export	\$5,681	\$7,015	\$6,400	-19%	-11%
Import	\$868	\$749	\$791	16%	10%
Total Handle	<u>\$7,917</u>	<u>\$9,272</u>	<u>\$8,492</u>	<u>-8%</u>	<u>-7%</u>
<u>AQUEDUCT FALL</u>					
Live	\$966	\$1,091	\$941	-11%	3%
Export	\$4,193	\$5,763	\$4,969	-27%	-16%
Import	\$753	\$764	\$876	-1%	-14%
Total Handle	<u>\$6,279</u>	<u>\$8,009</u>	<u>\$7,268</u>	<u>-9%</u>	<u>-14%</u>
<b><u>TOTAL</u></b>					
Live	\$1,552	\$1,576	\$1,522	-2%	2%
Export	\$6,942	\$7,528	\$7,261	-8%	-4%
Import	\$834	\$846	\$846	-1%	-1%
Total Handle	<u>\$9,733</u>	<u>\$10,360</u>	<u>\$10,035</u>	<u>-3%</u>	<u>-3%</u>



## HANDLE ANALYSIS

Total handle is projected to decrease approximately 3% compared to 2014 Forecast. Decreases are expected as a result of one less scheduled race day and strong headwinds facing the industry. These include steep declines in average field size as a result of the continuing decline in foal crop as well as reduced wagering from off-track locations, specifically out-of-state brick and mortar and New York State OTB and track locations (also contributing to the decline in handle is Belmont Stakes Day which is budgeted as a non-Triple Crown event in 2015 although higher than previous years with enhanced undercard and entertainment offerings). In an effort to offset the decline in field size, NYRA has proposed a schedule that takes a dual approach to solving the issue. The current schedule decreases the number of race days during the winter months at Aqueduct. It also includes a week long break from March 23<sup>rd</sup> through March 31<sup>st</sup> before resuming racing in April. Reducing the number of race days will stabilize field size decline and this strategy will have a direct impact on NYRA handle during the months that are most sensitive to field size. Projected increases in handle that will offset a portion of these decreases include the continued strategy of creating enhanced marquee race days and larger scale events. NYRA has specifically budgeted Belmont Stakes Day (\$105 million), Stars & Stripes Day (\$25 million), and Travers Day (\$50 million) to reach strong levels of all source handle.

The budget also assumes continued growth at Aqueduct due to the successful launch of Longshots, and in the NYRA Rewards internet and mobile platforms which will benefit from the full integration of the GBE enhanced internet platform and customer loyalty program. Due to the strength of these platforms, NYRA is proposing to close the Belmont Café for simulcasting on conventional dark days. This location has not been profitable to NYRA in recent years on dark days and while this strategy has the potential to reduce the total amount of handle wagered it is expected to improve net income by an estimated \$600,000 by reducing operating expenses related to the facility.

NYRA has scheduled 250 race days in 2015 compared to 252 scheduled race days in 2014. In 2014, NYRA cancelled seven days due to weather and one more cancellation day is projected during the fourth quarter of 2014 which also includes a scheduled break from December 15<sup>th</sup> through December 25<sup>th</sup>. In 2015, NYRA included in the budget a total of seven cancellation days due to weather which are expected during the Aqueduct Winter Meet (based on five year average of weather related cancellations). This includes one Thursday, three Fridays, two Saturdays, and one Sunday cancellation and were based on actual days cancelled during 2014.

Projected field size is considered to be the major driver for the handle performance forecasted for 2015. It has been analyzed on a meet by meet basis based on prior year trends and expected changes to the racing schedule. For the 2015 Aqueduct Winter Meet, NYRA expects an average field size of 6.85 compared to 7.1 average field sizes in 2014. The spring portion of the Meet (April 1 – April 26) is expected to produce a field size average of 6.85 compared to 6.6 during the same period in 2014. The Belmont Spring Meet is expected to remain constant over the prior year, with an average field size of 7.5. The Saratoga Summer Meet is expected to have a field size average of 7.8, a slight downturn from 7.9 in 2014. The Belmont Fall and Aqueduct Fall meets are both expected to produce average field sizes of 7.7 in 2015 compared to 7.9 for each meet in 2014.

In addition to contemplating field size and in order to accurately forecast handle performance for 2015, an analysis was completed for both on-track and off-track sources of handle. This analysis was completed by meet by calculating the daily average variances between 2014 and 2013 by platform with respect to NYRA wagers and geographical region for off-track wagers. Adjustments were made for Belmont Stakes Day for more accurate comparisons. Each analysis was cross verified against a four year historical trend analysis to identify any outliers.

#### **Aqueduct Winter Meet (January 1<sup>st</sup> through April 26<sup>th</sup>)**

- There are 74 race days scheduled for the 2015 Aqueduct Winter Meet compared to 79 race days for the 2014 Aqueduct Winter Meet due to a shift in the racing calendar. The budget assumes seven weather related cancellations, the same as 2014. Total handle for the meet is projected to decrease \$34.8 million or 6% compared to 2014 actual primarily due to the decrease in race days. The 2015 Meet has five less race days scheduled compared to 2014 as a result of the week long break at the end of March (four days) and a shift in the calendar.

#### **Belmont Spring Meet (April 29<sup>th</sup> through July 19<sup>th</sup>)**

- There are 59 race days scheduled for the 2015 Belmont Spring Meet, five additional race days than the 2014 meet due to a shift in the racing calendar. Total handle is projected to increase \$24.3 million or 3.7% primarily due to the extra race days (\$41.5 million). Stars & Stripes Day has an all-source projection of \$25 million, a \$4.5 million increase over 2014. Belmont Stakes Day handle is projected to decrease and is not budgeted to be a Triple Crown event in 2015, but will be an enhanced day with enhanced undercard and entertainment offerings compared to previous years. The budget assumes an all-source handle of \$105.0 million for that day compared to \$152.5 million in 2014 and \$91.9 million in 2013.

#### **Saratoga Meet (July 24<sup>th</sup> through September 7<sup>th</sup>)**

- There are 40 race days scheduled for the 2015 Saratoga Meet, the same number of days as the 2014 meet. Total handle for the Saratoga Meet is projected to decrease \$5 million or 1% due to an anticipated decline in field size. Field size is expected to decline 0.10 of a horse per race, a negative impact estimated at \$7.3 million. This decrease in handle will be offset by an expected increase on Travers Stakes Day. All source handle for Travers Stakes Day is budgeted at \$50 million, a \$9.6 million increase over the prior year.

#### **Belmont Fall Meet (September 11<sup>th</sup> through November 1<sup>st</sup>)**

- There are 38 race days scheduled for the Belmont Fall Meet, the same number of days as the 2014 meet. Total handle for the Belmont Fall Meet is projected to decrease \$21.6 million or 6.7% due to an anticipated decrease in field size compared to 2014. Field size is expected to decline by 0.20 of a horse per race, from 7.9 in 2014 to 7.7 in 2015.

#### **Aqueduct Fall Meet (November 4<sup>th</sup> through December 31<sup>st</sup>)**

- There are 39 race days scheduled for the 2015 Aqueduct Fall Meet, one less day than was scheduled for the 2014 meet. There are no budgeted weather cancellations in 2015. There is one projected cancellation day budgeted and forecasted for the 2014 meet. Total handle is projected to decline \$45 million or 15.5% due to an anticipated decrease in field size compared to projections for 2014. Field size is expected to decline by 0.20 of a horse per race, from 7.9 in 2014 to 7.7 in 2015.

## ADDITIONAL HANDLE DETAIL

### On-Track Handle by Content

NYRA ON-TRACK HANDLE	2015	2014	2014	Change '15 vs. '14 Budget		Change '15 vs. '14 Forecast	
	BUDGET	BUDGET	FORECAST	\$	%	\$	%
NYRA LIVE	\$377,125,785	\$382,933,559	\$371,433,526	-\$5,807,774	-2%	\$5,692,259	2%
IMPORTS	301,078,819	305,242,800	305,318,553	-4,163,982	-1%	-4,239,734	-1%
TOTAL NYRA ON-TRACK HANDLE	678,204,604	688,176,359	676,752,078	-9,971,756	-1%	1,452,525	0%

- Total on-track handle for 2015 is projected to decrease \$10.0 million or 1% to \$678.2 million compared to 2014 Budget due to two fewer race days and the decline in field size. On-track handle is projected to increase \$1.5 million compared to 2014 forecast due to the expected continued growth in internet wagering as well as wagering at Longshots at Aqueduct.

### NYRA Rewards Account Wagering Handle

NYRA REWARDS ACCOUNT WAGERING HANDLE	2015	2014	2014	Change '15 vs. '14 Budget		Change '15 vs. '14 Forecast	
	BUDGET	BUDGET	FORECAST	\$	%	\$	%
	\$300,548,129	\$270,773,242	\$281,491,530	\$29,774,888	11%	\$19,056,599	7%

NYRA REWARDS ACCOUNT WAGERING HANDLE	2015	2014	2014	Change '15 vs. '14 Budget		Change '15 vs. '14 Forecast	
	BUDGET	BUDGET	FORECAST	\$	%	\$	%
AQUEDUCT	\$50,562,712	\$33,282,303	\$43,707,416	\$17,280,409	40%	\$6,855,296	16%
BELMONT	32,923,156	31,175,662	31,253,202	1,747,494	6%	1,669,954	5%
SARATOGA	14,980,022	11,823,646	14,961,978	3,156,376	21%	18,044	0%
INTERNET	144,885,577	126,923,258	135,011,837	17,962,319	13%	9,873,740	7%
MOBILE	3,121,614	1,310,972	1,739,972	1,810,642	104%	1,381,642	79%
PHONE	50,444,978	58,790,815	51,016,301	-8,345,837	-16%	-571,323	-1%
IVR	3,630,070	7,466,585	3,800,824	-3,836,515	-101%	-170,754	-4%
TOTAL NYRA REWARDS HANDLE	300,548,129	270,773,242	281,491,530	29,774,888	11%	19,056,599	7%

- **Account Wagering:** Total account wagering handle through the NYRA Rewards program is projected to increase \$29.8 million or 11% compared to 2014 Budget primarily resulting from enhancements to the NYRA Rewards internet platform (\$9.9 million), the continued success of Longshots at Aqueduct as well as increased targeted marketing and the integration of a new loyalty program which is projected to increase acquisitions.

Total account wagering is projected to increase \$19.1 million or 7% compared to 2014 Forecast to \$300.5 million for the same reasons as above with less of an impact due to better than expected results compared to 2014 budget with stronger than expected internet results and wagering at Aqueduct.

**REVENUE FOR 2015 BUDGET COMPARED TO 2014 BUDGET  
AND 2014 FORECAST CURRENT RACING OPERATIONS  
(VLT REVENUE NOT INCLUDED)**

**RACING RELATED REVENUE**

(in thousands)

	2015		Change		2014		Change	
	BUDGET	BUDGET	\$	%	FORECAST	\$	%	
On-track	\$118,122	\$121,262	(\$3,140)	(2.6%)	\$118,264	(\$142)	(0.1%)	
Export revenue	101,911	103,984	(2,073)	(2.0%)	105,104	(3,193)	(3.0%)	
New York OTB	23,775	27,130	(3,355)	(12.4%)	25,807	(2,033)	(7.9%)	
<b>Sub-total gross pari-mutuel revenue</b>	<b>\$243,808</b>	<b>\$252,375</b>	<b>(\$8,568)</b>	<b>(3.4%)</b>	<b>\$249,176</b>	<b>(\$5,368)</b>	<b>(2.2%)</b>	
<b>less: Statutory and Other</b>								
Rewards Rebate	\$5,282	\$3,800	\$1,482	39.0%	\$4,965	\$317	6.4%	
Stakes & Purses	103,233	107,337	(4,105)	(3.8%)	105,215	(1,982)	(1.9%)	
Other statutory payments	16,917	17,125	(209)	(1.2%)	16,899	17	0.1%	
<b>Sub-total Statutory and Other</b>	<b>\$125,431</b>	<b>\$128,262</b>	<b>(\$2,831)</b>	<b>(2.2%)</b>	<b>\$127,079</b>	<b>(\$1,647)</b>	<b>(1.3%)</b>	
<b>Net wagering revenue</b>	<b>\$118,376</b>	<b>\$124,113</b>	<b>(\$5,737)</b>	<b>(4.6%)</b>	<b>\$122,097</b>	<b>(\$3,720)</b>	<b>(3.0%)</b>	
Other revenue, net	\$17,531	\$16,062	\$1,470	9.1%	\$15,117	\$2,414	16.0%	
On-track racing related revenue, net	18,383	15,255	3,128	20.5%	17,241	1,142	6.6%	
<b>Net Revenue From Racing Operations</b>	<b>\$154,291</b>	<b>\$155,429</b>	<b>(\$1,139)</b>	<b>(0.7%)</b>	<b>\$154,455</b>	<b>(\$165)</b>	<b>(0.1%)</b>	

**Net Revenue from racing operations is expected to decrease based on handle decreases previously discussed, offset by increases in other revenue and on-track racing related revenue:**

- **On-track Wagering Revenue:** On-track Wagering Revenue is projected to decrease \$3.1 million or 2.6% to \$118.1 million compared to 2014 Budget and decrease \$142,000 or 0.1% compared to 2014 Forecast. The decrease reflects the effects of a non-Triple Crown Belmont Stakes Day (although stronger than prior year due to enhanced undercard and entertainment offerings) and a continued downward trend in field size offset by increases associated with the opening of Longshots, increased NYRA Rewards handle as a result of a more robust loyalty program, and enhancements to the NYRA Rewards internet platform. Increases in minus pools and expected host fee increases on import wagers also contribute to the decrease in on-track wagering revenue.
- **Export Revenue:** Export Revenue in 2015 is projected to decrease \$2.1 million or 2.0% compared to 2014 Budget and decrease \$3.2 million or 3.0% compared to 2014 Forecast primarily due to decreased handle as a result of a non-Triple Crown year and continued downward trends seen at brick and mortar OTB locations across the country. Declines are offset by an expected increase in the amount charged for accepting NYRA's simulcast signal and are in-line with 2015 handle projections. Additionally \$250,000 is projected from a National ADW platform due to launch mid-2015.
- **New York OTB Revenue:** Please see discussion on page 13.
- **Stakes & Purses-Pari-mutuel:** Accrued purse expense on pari-mutuel wagering for 2015 is projected to decrease \$4.1 million or 3.8% to \$103.2 million compared to 2014 Budget and \$2.0 million or 1.9% compared to 2014 Forecast primarily due to the decrease in gross pari-mutuel wagering revenue.

- **Rewards Rebate:** The Rewards Rebate is awarded to NYRA Rewards customers reaching certain wagering levels. The Rewards Rebate expense in 2015 is projected to increase \$1.5 million or 39.0% to \$5.3 million compared to 2014 Budget and increase \$317,000 or 6.4% compared to 2014 Forecast based on the projected increase in account wagering handle associated with a more robust loyalty program accelerating acquisitions and enhancements to the NYRA Rewards internet platform.
- **Other Statutory Payments:** Other statutory payments include pari-mutuel taxes, NYS Gaming Commission Regulatory fees, simulcasting tax and breeder's fund commission that are payable based on on-track handle. These expenses are projected to decrease \$209,000 or 1.2% to \$16.9 million compared to 2014 Budget and is expected to remain flat compared to 2014 Forecast.
- **Other Revenue:** Other Revenue consisting of sponsorships, group sales events, content fees, decoder rentals, ADW source market fees, facility/parking space rentals, ATM fees and other miscellaneous revenue is projected to increase \$1.5 million or 9.1% to \$17.5 million in 2015 compared to 2014 Budget and increase \$2.4 million or 16% compared to 2014 Forecast (which reflects \$1.4 million lower ADW source market fee revenue compared to 2014 Budget due to CDI arrangement). The increase in other revenue compared to 2014 Forecast is due to increased group sales revenue at Belmont (\$98,000), on Belmont Stakes Day (\$689,000) and at Saratoga (\$115,000) as well as increased sponsorship revenue (\$1.2 million) and new revenue related to an enhanced events program (\$312,000), partially offset by declines from miscellaneous racing related services provided to the horsemen such as Lasix and horse tattoo.
- **On-Track Racing Related Revenue:** On-Track Racing Related Revenue including sales from admissions, season passes, box and reserved seats, food concessions, parking, newspapers and programs, net of cost of sales is projected to increase \$3.1 million or 20.5% to \$18.4 million in 2015 compared to 2014 Budget and increase \$1.1 million or 6.6% compared to 2014 Forecast which reflects increases from actual results on the record breaking Belmont Stakes Day. The increase in on-track racing related revenue compared to 2014 Forecast is primarily attributable to NYRA's strategic initiative to increase admissions, box seat and parking prices for Belmont Stakes Day (\$340,000) and the Saratoga Meet (\$450,000). In addition, parking price increases and new parking options offered by NYRA will increase revenue during the Saratoga Meet (\$385,000).

**New York OTB Revenue:** NYRA receives revenue from the five New York OTB entities as follows: (1) statutory commissions on NYRA races; (2) statutory commissions on out-of-state thoroughbred wagering (3) contractual content fees for the in-home broadcast of NYRA races on local cable channels.

New York OTB revenue of \$23.8 million is projected to decrease by \$3.4 million or 12.4% compared to 2014 Budget and \$2.0 million or 7.9% compared to 2014 Forecast. The decrease compared to 2014 Budget and 2014 Forecast is due to projected decreases in revenue received on NYRA races, contractual revenue and decreases in revenue received on out of state races as illustrated in the chart below. Projections were based on recent trends throughout the New York OTB network and adjusted to reflect the racing calendar and considered trends for the industry as a whole.

<b>New York OTB Gross Revenue</b>								
(in thousands)								
<i>Twelve Months Ended December 31</i>	2015		2014		2014		Change	
	Budget	Budget	\$	%	Forecast	\$	%	
<b>NYRA Races</b>								
Nassau Regional OTB	\$3,816	\$4,265	(\$449)	-10.5%	\$4,107	(\$291)	-7.1%	
Suffolk District OTB	2,311	2,583	(272)	-10.5%	2,487	(176)	-7.1%	
Capital OTB	1,968	2,102	(134)	-6.4%	2,118	(150)	-7.1%	
Catskills OTB	1,237	1,399	(162)	-11.6%	1,331	(94)	-7.1%	
Western Regional OTB	728	786	(58)	-7.4%	784	(56)	-7.1%	
<b>Total NYRA Revenue NY OTB's</b>	<b>\$10,060</b>	<b>\$11,135</b>	<b>(\$1,075)</b>	<b>-9.7%</b>	<b>\$10,827</b>	<b>(\$767)</b>	<b>-7.1%</b>	
<b>OUT-OF-STATE RACES</b>								
Nassau Regional OTB	\$3,895	\$4,774	(\$879)	-18.4%	\$4,278	(\$383)	-9.0%	
Suffolk District OTB	1,810	2,070	(260)	-12.6%	1,988	(178)	-9.0%	
Capital OTB	2,664	3,059	(395)	-12.9%	2,926	(262)	-9.0%	
Catskills OTB	1,327	1,637	(310)	-18.9%	1,457	(130)	-8.9%	
Western Regional OTB	1,365	1,658	(293)	-17.7%	1,499	(134)	-8.9%	
<b>TOTAL NON-NYRA REVENUE NY OTB'S</b>	<b>\$11,061</b>	<b>\$13,198</b>	<b>(\$2,137)</b>	<b>-16.2%</b>	<b>\$12,148</b>	<b>(\$1,087)</b>	<b>-8.9%</b>	
<b>CONTRACT</b>								
Nassau Regional OTB	\$878	\$930	(\$52)	-5.6%	\$936	(\$58)	-6.2%	
Suffolk District OTB	452	461	(9)	-2.0%	482	(30)	-6.2%	
Capital OTB	847	894	(47)	-5.3%	904	(57)	-6.3%	
Catskills OTB	262	276	(14)	-5.1%	280	(18)	-6.4%	
Western Regional OTB	215	236	(21)	-8.9%	230	(15)	-6.5%	
<b>TOTAL CONTRACT REVENUE NY OTB'S</b>	<b>\$2,654</b>	<b>\$2,797</b>	<b>(\$143)</b>	<b>-5.1%</b>	<b>\$2,832</b>	<b>(\$178)</b>	<b>-6.3%</b>	
<b>TOTAL</b>								
Nassau Regional OTB	\$8,589	\$9,969	(\$1,380)	-13.8%	\$9,321	(\$732)	-7.9%	
Suffolk District OTB	4,573	5,114	(541)	-10.6%	4,957	(384)	-7.7%	
Capital OTB	5,479	6,055	(576)	-9.5%	5,948	(469)	-7.9%	
Catskills OTB	2,826	3,312	(486)	-14.7%	3,068	(242)	-7.9%	
Western Regional OTB	2,308	2,680	(372)	-13.9%	2,513	(205)	-8.2%	
<b>TOTAL REVENUE NY OTB'S</b>	<b>\$23,775</b>	<b>\$27,130</b>	<b>(\$3,355)</b>	<b>-12.4%</b>	<b>\$25,807</b>	<b>(\$2,032)</b>	<b>-7.9%</b>	

## OPERATING EXPENSES FOR THE 2015 BUDGET COMPARED TO 2014 BUDGET AND 2014 FORECAST

The following table is a summary of operating expenses for the 2015 budget compared to the 2014 budget and 2014 forecast.

### OPERATING EXPENSES

(in thousands)

	2015		2014		2014		Change	
	BUDGET	BUDGET	\$	%	FORECAST	\$	%	
Salaries and Wages	\$63,233	\$63,275	(\$42)	(0.1%)	\$63,009	\$224	0.4%	
Benefits & Payroll Taxes	23,717	22,674	1,043	4.6%	22,854	863	3.8%	
Travel	2,638	2,863	(225)	(7.9%)	2,642	(4)	(0.2%)	
Operating Supplies	2,847	2,862	(16)	(0.6%)	2,886	(39)	(1.4%)	
Utilities	6,435	6,978	(543)	(7.8%)	7,018	(583)	(8.3%)	
Temporary Help	3,229	3,336	(107)	(3.2%)	3,522	(292)	(8.3%)	
Outside Services	6,942	9,040	(2,098)	(23.2%)	7,562	(620)	(8.2%)	
Cable Contract/Video Streaming	500	2,585	(2,084)	(80.7%)	2,695	(2,195)	(81.4%)	
Telephone & Communications	7,183	6,618	566	8.5%	6,338	845	13.3%	
Professional Fees:								
Legal Fees	1,670	1,570	100	6.4%	1,374	296	21.5%	
Consulting	2,541	3,484	(943)	(27.1%)	3,223	(682)	(21.2%)	
TOTE Expense	2,136	2,375	(239)	(10.1%)	2,108	28	1.3%	
Rentals & Leases	2,466	2,625	(159)	(6.1%)	2,777	(311)	(11.2%)	
Repairs & Maintenance	7,030	6,695	335	5.0%	8,016	(986)	(12.3%)	
Insurance	8,379	7,979	400	5.0%	8,003	376	4.7%	
Marketing & Advertising	5,239	4,022	1,216	30.2%	3,158	2,080	65.9%	
Charitable Contributions	1,412	1,655	(243)	(14.7%)	1,682	(270)	(16.1%)	
Bad Debt Expense	250	500	(250)	(50.0%)	237	13	5.3%	
Other Expenses	4,378	4,043	335	8.3%	3,849	529	13.8%	
<b>Total Operating Expenses</b>	<b>\$152,225</b>	<b>\$155,179</b>	<b>(\$2,955)</b>	<b>(1.9%)</b>	<b>\$152,953</b>	<b>(\$728)</b>	<b>(0.5%)</b>	

**Total Operating Expenses 2014 Forecast Compared to 2014 Budget** - 2014 actual and forecasted expenses of \$153.0 million have been reduced by \$2.2 million from the original 2014 budget due to decreases in outside services (new TV contract for Saratoga meet \$928,000), reduced marketing expense due to 2013 events not repeated in 2014 as well less need from national Belmont Stakes Day exposure (\$989,000), favorable results from a sales tax audit (\$529,000), reduced professional fees (\$457,000) and telephone & communications expense primarily related to the enhanced internet platform, which was implemented six weeks later than expected (\$280,000), as well as strategic headcount reductions in an effort to reduce costs and operate more efficiently (\$266,000). These decreases were partially offset by an increase in repairs & maintenance expense primarily resulting from higher manure removal and painting costs (\$1.3 million).

Also reflected in the variance between 2014 budget and 2014 forecast is the impact the delay in closing the Aqueduct training center had on operating expenses. It is estimated the delay increased operating expenses approximately \$1.5 million compared to 2014 budget across several expense categories including primarily labor, utilities and repairs and maintenance.

**Total Operating Expenses Compared to 2014 Forecast** – Total Operating Expenses for 2015 are projected to decrease by \$728,000 or 0.5% to \$152.2 million. The decrease in operating expenses is attributable to reductions in expenses associated with closing the Aqueduct training center during non-racing months, closing the Belmont Café for simulcasting on dark days, reduced costs associated with long term planning, reduced repairs and maintenance expense (manure removal), reduced costs associated with NYRA's phone wagering operation through

renegotiation of the cable contract with the City of New York, headcount adjustments and reductions related to changing certain service providers. These reductions are partially offset by a general increase in existing employee wages and benefit costs (some of which are mandated by collective bargaining agreements), increased costs associated with the enhanced NYRA Rewards internet platform (GBE) and increased marketing & advertising costs as a result of new marketing initiatives for 2015.

- **Salaries and Wages** – Salaries and Wages in 2015 are projected to increase \$224,000 or 0.4% to \$63.2 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 such as a director of player development and support staff related to NYRA’s enhanced internet platform and the National ADW platform. The increase in salaries and wages is partially offset by decreases associated with closing the Aqueduct training center during non-racing months (five months versus six weeks in 2014) and closing the Belmont Café for simulcasting on unprofitable days when NYRA is not conducting live racing.
- **Benefits & Payroll Taxes** – Benefits & Payroll Taxes are projected to increase \$863,000 or 3.8% to \$23.7 million. The increase is primarily due to contractual increases in union related benefit costs and overall increases in non-union employee benefits. (*See Exhibit 4 – Breakdown of Labor Expense*)
- **Utilities** – Utilities expense for 2015 is projected to decrease \$583,000 or 8.3% to \$6.4 million. The decrease is primarily attributable to closing the Aqueduct training center during non-racing months and the closure of the Belmont Café on non-racing days. The budget assumes a \$409,000 or 8% decrease in electric costs, a \$126,000 or 13% decrease in water costs and a \$48,000 or 4% decrease in gas costs.
- **Temporary Help** – Temporary Help is projected to decrease \$292,000 or 8.3% to \$3.2 million. The decrease is primarily the result of reductions related to Belmont Stakes Day not budgeted as a Triple Crown potential as well as an expected decrease in temporary help related to Internal Audit services in 2015.
- **Outside Services** – Outside Services are projected to decrease \$620,000 or 8.2% to \$6.9 million. The decrease is primarily the result of the reclassification of outside services music/live entertainment to marketing and advertising expenses for 2015.
- **Cable Contract/Video Streaming** – Cable Contract/Video Streaming expense is projected to decrease \$2.2 million or 81.4% to \$500,000. The decrease is due to an anticipated renegotiation of the cable contract with the City of New York.
- **Telephone & Communications** – Telephone & Communications expense is projected to increase \$845,000 or 13.3% to \$7.2 million. The increase is due to increased costs associated with GBE (Global Betting Exchange) and NYRA Rewards internet growth. An expected \$1.3 million increase associated with enhancements to the NYRA Rewards internet platform is expected as well as a \$143,000 increase in video streaming costs, offset by a \$409,000 reduction in web hosting fees and an \$187,000 reduction in wagering data services expense associated with NYRA’s phone wagering operation.



- **Professional Fees: Legal** –Legal fees are budgeted to increase \$296,000 or 21.5% to \$1.7 million due to anticipated legal fees associated with NYRA’s reorganization and re-privatization.
- **Professional Fees: Consulting:** - Consulting fees are projected to decrease \$682,000 or 21.2% to \$2.5 million. The decrease is primarily related to a reduction in costs associated with NYRA Rewards and internet growth (\$379,000 reduction), long term planning (\$219,000 reduction) and marketing (\$93,000 reduction).
- **Rental & Leases** – Rental & Lease expense for 2015 is projected to decrease \$311,000 or 11.2% to \$2.5 million. The decrease is primarily attributable to a decrease in Belmont Stakes Day related equipment rental (seating and ATM machines) as a result of the potential Triple Crown in 2014, as well as expected decreased fleet equipment leases in 2015 as a result of purchases in 2014 and 2015.
- **Repairs & Maintenance** – Repairs & Maintenance for 2015 is projected to decrease \$986,000 or 12.3% compared to 2014. The budget includes a \$473,000 reduction in manure removal expenses. In 2014, we experienced increases in this expense, as a result of a hay shortage and the increased use of pellets which are more expensive and will be corrected in 2015. Additionally, the budget includes a \$276,000 reduction in track related expenses related to closing Aqueduct training center.
- **Insurance** – Insurance is projected to increase by \$376,000 or 4.7% to \$8.4 million. The budget assumes increases in unemployment, workers compensation and general liability costs.
- **Marketing** – Marketing expense is projected to increase \$2.1 million or 65.9% to \$5.2 million (including reclassification of music/live entertainment from outside services). Marketing initiatives for 2015 include events for the week leading up to Belmont Stakes Day and Stars & Stripes Day, increased sponsorship expenses (result of anticipated increase in sponsorship revenue), increased ad agency fees (new ad agency to be contracted for 2015), enhanced advertising/promotions for “special calendar days” and enhanced marketing and events during the summer months. The increase in marketing expense is expected to be partially offset by increased revenue associated with the marketing initiatives (driving additional attendance, new guests and more handle).
- **Charitable Contributions** – Charitable Contributions are projected to decrease \$270,000 or 16.1% to \$1.4 million. Major charitable contributions are made to B.E.S.T. (Backstretch Employee Service Team), Permanently Disabled Jockeys Fund, Racetrack Chaplaincy and Grayson-Jockey Club Research.
- **Other Expenses** - Other Expenses are projected to increase \$529,000 or 13.8% to \$4.4 million. The increase in other expenses is primarily attributable to a \$529,000 increase in sales & use tax due to the favorable outcome of a 2013 sales tax audit concluded in 2014.

## VLT REVENUE & PURSES

### VLT REVENUE

(in thousands)

	2015		2014		Change		2014		Change	
	BUDGET	BUDGET	\$	%	FORECAST	\$	%			
Gross Based on WPM	\$796,289	\$782,210	\$14,079	1.8%	\$795,791	\$498	0.1%			
Stakes and Purses Funding	59,124	58,118	1,006	1.7%	59,067	57	0.1%			
Capital Funding	31,852	31,288	563	1.8%	31,832	20	0.1%			
Operations Funding	23,889	23,466	422	1.8%	23,874	15	0.1%			
<b>Gross VLT Revenue</b>	<b>\$114,865</b>	<b>\$112,873</b>	<b>\$1,992</b>	<b>1.8%</b>	<b>\$114,773</b>	<b>\$92</b>	<b>0.1%</b>			
less: Stakes and Purses Funding	\$58,238	\$58,118	\$119	0.2%	\$58,420	(\$182)	(0.3%)			
less: VLT - Jockey Health Insurance	887	0	\$887	100.0%	667	\$219	32.9%			
<b>Net VLT Revenue</b>	<b>\$55,740</b>	<b>\$54,755</b>	<b>\$1,872</b>	<b>3.4%</b>	<b>\$55,685</b>	<b>\$274</b>	<b>0.5%</b>			

- VLT Revenue for 2015 is projected to be \$114.9 million, of which \$59.1 million is for stakes and purses, \$31.9 million for capital investment and \$23.9 million for operations. Projected VLT Revenue is based on 5,003 machines with a \$436 win per machine daily average. The budget assumes a win per machine rate consistent with 2014 trends.
- Effective April 1, 2014, 1.5% of gross VLT purse funds is statutorily dedicated to jockey health insurance.

*(Also see VLT Sensitivity Analysis - Exhibit 4)*

## NON-OPERATING EXPENSES FOR THE 2015 BUDGET COMPARED TO 2014 BUDGET AND 2014 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 2015 as compared to the 2014 budget and 2014 forecast:

(in thousands)

	2015	2014	Change		2014	Change	
	BUDGET	BUDGET	\$	%	FORECAST	\$	%
Retiree Benefits	\$8,162	\$8,451	(\$289)	(3.4%)	\$7,998	\$164	2.0%
Pension	0	4,031	(4,031)	(100.0%)	2,248	(2,248)	(100.0%)
Interest Expense	6	13	(7)	(56.5%)	51	(45)	(88.8%)
Depreciation	8,332	4,800	3,532	73.6%	5,056	3,276	64.8%
Income Tax Expense	14,000	13,000	1,000	7.7%	13,300	700	5.3%
<b>Total Non-Operating Expenses</b>	<b>\$30,499</b>	<b>\$30,295</b>	<b>\$204</b>	<b>0.7%</b>	<b>\$28,653</b>	<b>\$1,846</b>	<b>6.4%</b>

- **Retiree Benefits** - Retiree Benefits expense for 2015 is projected to decrease \$289,000 or 3.4% compared to 2014 budget and is projected to increase \$164,000 or 2.0% as compared to 2014 forecast. The increase from 2014 forecast is due to the expected change in mortality rates and overall increased health insurance costs.
- **Pension** – Pension expense for 2015 is projected to be zero based on actuarial valuation, which is a decrease of \$4.0 million compared to 2014 budget and a decrease of \$2.2 million compared to 2014 forecast. The decrease from 2014 budget and 2014 forecast is due to expected stronger asset performance in 2015 as well as compounding effect from 2014 strong performance.
- **Interest Expense** – Interest Expense for 2015 is projected to decrease slightly compared to both 2014 budget and forecast.
- **Depreciation** – Depreciation expense for 2015 is projected to increase \$3.5 million or 73.6% compared to 2014 budget and \$3.3 million or 64.8% to 2014 forecast. The increases are attributable to new depreciable assets placed into service due to increased capital spending.
- **Income Tax Expense** – Income Tax Expense for 2015 is projected to be \$14.0 million. This is an increase of \$1.0 million or 7.7% compared to 2014 budget and an increase of \$700,000 or 5.3% compared to 2014 forecast. The increase from 2014 budget and forecast is due to the projected increase in income.

## 2015 CAPITAL SPENDING

For 2015, NYRA plans to invest \$36.2 million in capital improvements. These projects will enhance the guest experience, upgrade conditions within the barn area and increase NYRA's operational efficiency. Additionally, \$8.3 million in 2015 projects which primarily consist of the construction of dorms at Belmont, security cameras at Belmont, design and permits for the At the Rail building at Saratoga, and miscellaneous upgrades to the barn and guest areas at all three tracks are projected to be substantially completed in 2015.

(in thousands)	<b>2015 BUDGET</b>
<b>AQUEDUCT</b>	
Track & Infield Maintenance/Upgrades	\$275
Guest Area Improvements	1,210
Other Frontside Improvements	472
Barn Area Construction/Upgrades	225
	2,182
 <b>BELMONT</b>	
Track & Infield Maintenance/Upgrades	480
Barn Area Construction/Upgrades	11,120
Guest Area Improvements	1,770
Other Frontside Improvements	660
Food & Beverage	80
	14,110
 <b>SARATOGA</b>	
Track & Infield Maintenance/Upgrades	730
Barn Area Construction/Upgrades	3,910
Guest Area Improvements	7,990
Other Frontside Improvements	350
Food & Beverage	905
	13,885
 <b>FLEET EQUIPMENT</b>	 2,437
<b>INFORMATION TECHNOLOGY</b>	1,855
<b>SALES/ADMISSIONS</b>	85
<b>NYRA Rewards</b>	150
<b>NYRA TV</b>	1,480
<b>Total Proposed Capital Expenditure</b>	<b>\$36,184</b>

## **Aqueduct**

### **Guest Area Improvements**

- There have been substantial improvements made over the past few years in the clubhouse at Aqueduct. Projects scheduled to occur during 2015 include the refurbishment of the Manhattan Terrace on the third floor and the installation of security cameras throughout the building. The improved Manhattan Terrace will be used as a VIP area, in addition to creating a new space for group events and corporate gatherings. The security cameras, throughout the clubhouse, will increase guest and employee safety. Additionally, NYRA is planning to upgrade the public address system, which will improve the clarity of race calls and important messages throughout the race day.

### **Other Frontside Improvements**

- NYRA is planning to install an engineered water meter to separate the usage data between the racetrack and casino sides of the building to improve payment allocation. We are also planning the construction of a Horsemen Lounge on the second floor, which will be a new indoor, temperature controlled seating area for owners and trainers located trackside behind the box seats.

## **Belmont**

### **Guest Area Improvements**

- In 2015, NYRA will invest in several projects that will further improve the guest experience. These projects include a major improvement to the Long Island Railroad rotunda and the last phase of the television upgrade. The rotunda, located on the west end of the facility, will be getting a significant facelift, concurrent with an investment by the MTA to improve the Belmont Park LIRR station. NYRA will also complete a multi-year project to upgrade the entire facility to meet ADA compliance, a project that was started in 2013. Similar to Aqueduct, security cameras will be installed throughout the building to enhance safety for both guest and employees.

### **Barn Improvements**

- Improvements to the barn area have been ongoing at Belmont. The most significant barn area projects at Belmont include the construction of a second new dormitory to house backstretch workers and the expansion of select barns, giving NYRA additional stall space at Belmont. It is estimated that this project of constructing stalls on two sides of barns where only one currently exists will create room for an additional 200 horses. In addition, NYRA will continue to replace barn roofs with long lasting metal, and remove asbestos where necessary. This will reduce the amount of maintenance currently necessary. These metal roofs come with a 40-year warranty, and are significantly cheaper to install than shingles. NYRA also plans to continue installing flowable fill concrete and replacing wooden catwalks with concrete in the front of each individual stall. Concrete catwalks will reduce the maintenance involved in barn upkeep and will increase the safety for the horses. Flowable fill and rubber mats will reduce the maintenance in the stall and also reduce the amount of bedding used, reduce manure removal expense and increase the safety and comfort of the horses.

### **Track and Infield Upgrades**

- In 2015, NYRA plans to invest in capital projects for the Belmont Track, Turf Courses, and Infield. These plans include replacing the track cushion on the Main Track and the last phase of the project to upgrade the irrigation system. Once complete, the new system will allow for better maintenance of the turf courses, giving NYRA the ability to schedule more turf races and a safer racing surface for both horses and riders.

## **Saratoga**

### **Guest Area Improvements**

- In 2015, NYRA will invest in improvements to enhance the guest experience at Saratoga. These improvements include the permanent installation of backyard video boards, restroom upgrades, building a Walk of Fame, ADA compliant upgrades, and design work for the At the Rail Building. The purchase of new video boards will save on transportation and maintenance costs of moving the boards from track to track, while also giving the backyard guests the ability to watch the races on a large screen in high definition. The new NYRA Walk of Fame will feature the Tom Durkin Replay Center, as well as various plaques honoring numerous racing contributors. As part of the long-term redevelopment plan, construction of a permanent “At the Rail” building near the clubhouse turn will be an improvement over the current tents and temporary suites. In 2015, it is anticipated that the design and permitting phase will begin, with construction commencing in 2016. This building will ultimately house permanent suites on the top levels while maintaining a large area on the ground floor for parties, luncheons, and events.

### **Barn Area Construction/Upgrades**

- To provide better safety to the barn and surrounding area in 2015, NYRA plans to continue with dorm renovations, barn renovations, and electrical upgrades. These upgrades will also improve the quality of life for the backstretch residents. NYRA will completely refurbish six dormitories. The barn upgrades will duplicate the stall flooring projects that have worked well at Belmont, including rubber matting in the stalls. As Saratoga is known for its beauty, investing in landscape improvements will go a long way to keep the inherent look of the grounds for both horsemen and guests.

### **Track and Infield Upgrades**

- In 2015, NYRA plans to continue to upgrade the irrigation of Mellon and Inner Turf courses. The improved irrigation of the two turf courses will extend the life and improve the conditions of them, which will lead to the ability to run more turf races throughout the meet and reduce labor costs.

### **Other Frontside Improvements**

- In 2015, NYRA will invest in a structure over the infield tote board. This permanent building will help extend the life of the new video boards that were installed in 2014 by protecting them from the elements, while providing the guests an unobstructed view of the screens.

## **Food and Beverage**

- NYRA will invest in revenue producing capital improvements at Saratoga in 2015 including a revamp of the upper and lower carousel, and an upgrade to the point of sale system. Adding a bar to the lower carousel and a new restaurant to the upper carousel will help fill the demand for different food and beverage options during the forty-day meet. The point of sale system, which is used by merchandise and food vendors, is in need of a serious upgrade to keep up with the changing technologies and consumer habits.

## **Fleet Equipment**

- Major spending for 2015 will include the purchase of used vehicles that will replace older vehicles currently requiring significant maintenance and upkeep, the purchase of two dump trucks with plows for use during wintery weather, 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 purchase a 65' aerial lift, which will save on rental expenses while moving between tracks and on certain capital projects where lifts are needed. NYRA Security plans to purchase two additional Chevrolet Equinoxs, which will complete the upgrade of their fleet.

## **NYRA TV**

- In 2015, NYRA TV will invest in new equipment that will enhance the guest experience at all three tracks and for those watching the simulcast feed throughout the country. These improvements include new camera angles, the capacity to more effectively split feeds between the infield tote boards and simulcast signal allowing for increased on-track fan engagement and improved graphics, as well as an improved on-track TV distribution network in Saratoga. Additionally, NYRA TV is investing in several projects that will reduce the operating costs and increase the life expectancy of our current equipment including a production truck power distribution upgrade, truck integration cabling, travel cases for protecting the equipment during moves/storage and fiber splice trays for network consolidation.

## **Information Technology**

- In 2015, NYRA will invest in information technology to better serve guests and allow for more efficient and secure data processing. NYRA plans to further invest in a Customer Relationship Management platform that will create a centralized customer information database to allow for better tracking and handling of data. As part of a network security initiative, NYRA will upgrade equipment, particularly network switches. In order to enhance the online guest experience, encoders will be purchased to support video on NYRA.com. Wi-Fi will be expanded at Belmont to enhance the guest experience. In addition, servers, computer equipment and software will be purchased to support more efficient operations.

## EXHIBIT 1

### Operating Income from Racing Operations

#### RACING RELATED REVENUE

(in thousands)

	2015	2014	Change		2014	Change	
	BUDGET	BUDGET	\$	%	FORECAST	\$	%
On-track	\$118,122	\$121,262	(\$3,140)	(2.6%)	\$118,264	(\$142)	(0.1%)
Export revenue	101,911	103,984	(2,073)	(2.0%)	105,104	(3,193)	(3.0%)
New York OTB	23,775	27,130	(3,355)	(12.4%)	25,807	(2,033)	(7.9%)
<b>Sub-total gross pari-mutuel revenue</b>	<b>\$243,808</b>	<b>\$252,375</b>	<b>(\$8,568)</b>	<b>(3.4%)</b>	<b>\$249,176</b>	<b>(\$5,368)</b>	<b>(2.2%)</b>
<b>less: Statutory and Other</b>							
Rewards Rebate	\$5,282	\$3,800	\$1,482	39.0%	\$4,965	\$317	6.4%
Stakes & Purses	103,233	107,337	(4,105)	(3.8%)	105,215	(1,982)	(1.9%)
Other statutory payments	16,917	17,125	(209)	(1.2%)	16,899	17	0.1%
<b>Sub-total Statutory and Other</b>	<b>\$125,431</b>	<b>\$128,262</b>	<b>(\$2,831)</b>	<b>(2.2%)</b>	<b>\$127,079</b>	<b>(\$1,647)</b>	<b>(1.3%)</b>
<b>Net wagering revenue</b>	<b>\$118,376</b>	<b>\$124,113</b>	<b>(\$5,737)</b>	<b>(4.6%)</b>	<b>\$122,097</b>	<b>(\$3,720)</b>	<b>(3.0%)</b>
Other revenue, net	\$17,531	\$16,062	\$1,470	9.1%	\$15,117	\$2,414	16.0%
On-track racing related revenue, net	18,383	15,255	3,128	20.5%	17,241	1,142	6.6%
<b>Net Revenue From Racing Operations</b>	<b>\$154,291</b>	<b>\$155,429</b>	<b>(\$1,139)</b>	<b>(0.7%)</b>	<b>\$154,455</b>	<b>(\$165)</b>	<b>(0.1%)</b>
<b>OPERATING EXPENSES</b>							
Labor Expense	\$86,950	\$85,949	\$1,001	1.2%	\$85,863	\$1,087	1.3%
Operating Supplies	2,847	2,862	(16)	(0.6%)	2,886	(39)	(1.4%)
Utilities	6,435	6,978	(543)	(7.8%)	7,018	(583)	(8.3%)
Temporary Help and Outside Services	10,172	12,377	(2,205)	(17.8%)	11,084	(912)	(8.2%)
Cable Contract/Video Streaming	500	2,585	(2,084)	(80.7%)	2,695	(2,195)	(81.4%)
Telephone & Communications	7,183	6,618	566	8.5%	6,338	845	13.3%
Professional Fees:							
Legal Fees	1,670	1,570	100	6.4%	1,374	296	21.5%
Consulting	2,541	3,484	(943)	(27.1%)	3,223	(682)	(21.2%)
TOTE Expense	2,136	2,375	(239)	(10.1%)	2,108	28	1.3%
Rentals & Leases	2,466	2,625	(159)	(6.1%)	2,777	(311)	(11.2%)
Repairs & Maintenance	7,030	6,695	335	5.0%	8,016	(986)	(12.3%)
Insurance	8,379	7,979	400	5.0%	8,003	376	4.7%
Marketing & Advertising	5,239	4,022	1,216	30.2%	3,158	2,080	65.9%
Other Expenses	8,678	9,061	(383)	(4.2%)	8,410	267	3.2%
<b>Total Operating Expenses</b>	<b>\$152,225</b>	<b>\$155,179</b>	<b>(\$2,955)</b>	<b>(1.9%)</b>	<b>\$152,953</b>	<b>(\$728)</b>	<b>(0.5%)</b>
<b>Operating Income/(Loss) From Racing</b>	<b>\$2,066</b>	<b>\$250</b>	<b>\$1,816</b>	<b>726.3%</b>	<b>\$1,503</b>	<b>\$563</b>	<b>37.5%</b>



## EXHIBIT 2

### 2015 Proforma, Unaudited, Non-GAAP Income Statement

#### RACING RELATED REVENUE

(in thousands)

	2015		Change		2014		Change	
	BUDGET	BUDGET	\$	%	FORECAST	\$	%	
On-track	\$118,122	\$121,262	(\$3,140)	(2.6%)	\$118,264	(\$142)	(0.1%)	
Export revenue	101,911	103,984	(2,073)	(2.0%)	105,104	(3,193)	(3.0%)	
New York OTB	23,775	27,130	(3,355)	(12.4%)	25,807	(2,033)	(7.9%)	
<b>Sub-total gross pari-mutuel revenue</b>	<b>\$243,808</b>	<b>\$252,375</b>	<b>(\$8,568)</b>	<b>(3.4%)</b>	<b>\$249,176</b>	<b>(\$5,368)</b>	<b>(2.2%)</b>	
less: Statutory and Other								
Rewards Rebate	\$5,282	\$3,800	\$1,482	39.0%	\$4,965	\$317	6.4%	
Stakes & Purses	103,233	107,337	(4,105)	(3.8%)	105,215	(1,982)	(1.9%)	
Other statutory payments	16,917	17,125	(209)	(1.2%)	16,899	17	0.1%	
<b>Sub-total Statutory and Other</b>	<b>\$125,431</b>	<b>\$128,262</b>	<b>(\$2,831)</b>	<b>(2.2%)</b>	<b>\$127,079</b>	<b>(\$1,647)</b>	<b>(1.3%)</b>	
<b>Net wagering revenue</b>	<b>\$118,376</b>	<b>\$124,113</b>	<b>(\$5,737)</b>	<b>(4.6%)</b>	<b>\$122,097</b>	<b>(\$3,720)</b>	<b>(3.0%)</b>	
Other revenue, net	\$17,531	\$16,062	\$1,470	9.1%	\$15,117	\$2,414	16.0%	
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<b>Net Revenue From Racing Operations</b>	<b>\$154,291</b>	<b>\$155,429</b>	<b>(\$1,139)</b>	<b>(0.7%)</b>	<b>\$154,455</b>	<b>(\$165)</b>	<b>(0.1%)</b>	
<b>OPERATING EXPENSES</b>								
Labor Expense	\$86,950	\$85,949	\$1,001	1.2%	\$85,863	\$1,087	1.3%	
Operating Supplies	2,847	2,862	(16)	(0.6%)	2,886	(39)	(1.4%)	
Utilities	6,435	6,978	(543)	(7.8%)	7,018	(583)	(8.3%)	
Temporary Help and Outside Services	10,172	12,377	(2,205)	(17.8%)	11,084	(912)	(8.2%)	
Cable Contract/Video Streaming	500	2,585	(2,084)	(80.7%)	2,695	(2,195)	(81.4%)	
Telephone & Communications	7,183	6,618	566	8.5%	6,338	845	13.3%	
Professional Fees:								
Legal Fees	1,670	1,570	100	6.4%	1,374	296	21.5%	
Consulting	2,541	3,484	(943)	(27.1%)	3,223	(682)	(21.2%)	
TOTE Expense	2,136	2,375	(239)	(10.1%)	2,108	28	1.3%	
Rentals & Leases	2,466	2,625	(159)	(6.1%)	2,777	(311)	(11.2%)	
Repairs & Maintenance	7,030	6,695	335	5.0%	8,016	(986)	(12.3%)	
Insurance	8,379	7,979	400	5.0%	8,003	376	4.7%	
Marketing & Advertising	5,239	4,022	1,216	30.2%	3,158	2,080	65.9%	
Other Expenses	8,678	9,061	(383)	(4.2%)	8,410	267	3.2%	
<b>Total Operating Expenses</b>	<b>\$152,225</b>	<b>\$155,179</b>	<b>(\$2,955)</b>	<b>(1.9%)</b>	<b>\$152,953</b>	<b>(\$728)</b>	<b>(0.5%)</b>	
<b>Operating Income/(Loss) From Racing</b>	<b>\$2,066</b>	<b>\$250</b>	<b>\$1,816</b>	<b>726.3%</b>	<b>\$1,503</b>	<b>\$563</b>	<b>37.5%</b>	
Plus: Net VLT Revenue (Net of Purses)*	55,740	54,755	1,872	3.4%	55,705	35	0.1%	
<b>Total Operating Income/(Loss)</b>	<b>\$57,806</b>	<b>\$55,005</b>	<b>\$3,688</b>	<b>6.7%</b>	<b>\$57,208</b>	<b>\$598</b>	<b>1.0%</b>	
Less: Non-Operating Expenses	30,499	30,295	204	0.7%	28,653	1,846	6.4%	
<b>Net Income/(Loss)</b>	<b>\$27,307</b>	<b>\$24,710</b>	<b>\$3,484</b>	<b>14.1%</b>	<b>\$28,555</b>	<b>(\$1,248)</b>	<b>(4.4%)</b>	

\*2015 Gross VLT Revenue is budgeted at \$114.9 million, compared to \$112.9 million budgeted for 2014 and \$114.8 million forecasted for 2014.

\*2015 budgeted purses (not included in Net VLT Revenue) totals \$59.1 million, compared to \$58.1 million for budgeted 2014 and \$59.1 million forecasted for 2014.

\*2015 VLT Funded Jockey Health Insurance (not included in Net VLT Revenue) is budgeted at \$887,000 compared to \$867,000 forecasted for 2014.

### EXHIBIT 3

## PURSE LIABILITY

As of December 31, 2014, the accrued but unpaid purse liability is projected to be \$6.3 million compared to \$6.4 million at December 31, 2013. Projections indicate payments to purses for 2015 will be approximately \$161.8 million, which includes an estimated \$58.2 million derived from VLT revenue received during 2015.

The year end purse liability is projected to be in compliance with NYRA's agreement with NYTHA which requires the purse liability to be no greater than \$6.0 million on December 31, 2015.

#### 2015 Purse Cushion Projection

(in thousands)

<b>Accrued but unpaid purses at 12/31/2014</b>	<u>\$6,305</u>
Projected Accrued Purses From Wagering Revenue in 2015	103,233
Projected Purse Cash Payments From, Wagering Revenue in 2015	(103,537)
<b>Accrued But Unpaid Purses From Wagering Revenue at 12/31/2015</b>	<u>\$6,000</u>
Projected Accrued Purses From VLTs in 2015	58,238
Projected Cash Payments From VLTs in 2015	(58,238)
<b>Total Projected Accrued But Unpaid Purses at 12/31/2015</b>	<u><u>\$6,000</u></u>

## EXHIBIT 4

### VLT SENSITIVITY ANALYSIS

The following VLT sensitivity analysis shows the impact in VLT proceeds based on various Win Per Machine (WPM) levels. The 2015 budget assumes a \$436 WPM. The analysis will show that revenue will be impacted by approximately \$2.6 million for every \$10 change in WPM (\$1.4 million for purses, \$700,000 for capital investment and \$500,000 for operations).

<u>Calculation of Total VLT Revenue (\$000's)</u>	<u>VLT Revenue @</u>	<u>VLT Revenue @</u>	<u>Budget Projection</u>	<u>VLT Revenue @</u>	<u>VLT Revenue @</u>
	<u>\$416 WPM</u>	<u>\$426 WPM</u>	<u>VLT Revenue @</u>	<u>\$446 WPM</u>	<u>\$456 WPM</u>
			<u>\$436 WPM</u>		
Gross Daily Win Per Machine (WPM)	\$416	\$426	\$436	\$446	\$456
VLT Units	5,003	5,003	5,003	5,003	5,003
Days	365	365	365	365	365
Gross VLT Revenue	\$759,677	\$777,938	\$796,289	\$814,459	\$832,719
<u>NYRA and Industry VLT Revenue (\$000's)</u>					
Capital Fund	\$30,387	\$31,118	\$31,852	\$32,578	\$33,309
Operating Fund	22,790	23,338	23,889	24,434	24,982
Purse Fund	<u>56,406</u>	<u>57,762</u>	<u>59,124</u>	<u>60,474</u>	<u>61,829</u>
Total	\$109,583	\$112,217	\$114,865	\$117,486	\$120,120

### REVENUE & HANDLE SENSITIVITY ANALYSIS

The following handle sensitivity analysis shows the impact in revenue based on changes to handle.

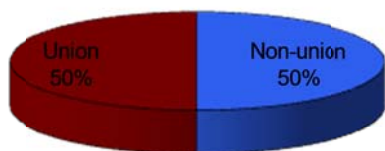
(in thousands)

	<u>2015 Budget</u>			<u>0.50% Handle Change</u>		<u>1.00% Handle Change</u>		<u>1.50% Handle Change</u>		<u>2.00% Handle Change</u>	
	Net			Net		Net		Net		Net	
	<u>Handle</u>	<u>Revenue</u>	<u>Effective %</u>	<u>Handle</u>	<u>Revenue</u>	<u>Handle</u>	<u>Revenue</u>	<u>Handle</u>	<u>Revenue</u>	<u>Handle</u>	<u>Revenue</u>
On-track	\$678,205	\$64,548	9.52%	\$3,391	\$323	\$6,782	\$645	\$10,173	\$968	\$13,564	\$1,291
Export	\$1,687,002	\$59,558	3.53%	\$8,435	\$298	\$16,870	\$596	\$25,305	\$893	\$33,740	\$1,191
Total	<u>\$2,365,206</u>	<u>\$124,106</u>	<u>5.25%</u>	<u>\$11,826</u>	<u>\$621</u>	<u>\$23,652</u>	<u>\$1,241</u>	<u>\$35,478</u>	<u>\$1,862</u>	<u>\$47,304</u>	<u>\$2,482</u>

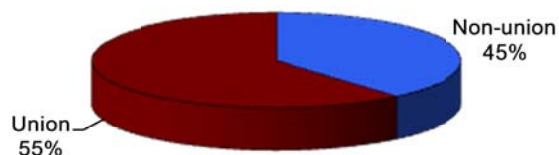
## EXHIBIT 5

### 2015 BREAKDOWN OF LABOR EXPENSE

**Headcount**



**Salaries & Benefits (including pension & OPEB)**



(in thousands)	<u>Non-union</u>	<u>Union</u>	<u>Total</u>
Salaries & Taxes *	\$34,045	\$33,229	\$67,274
Active employee benefits	4,775	13,963	18,738
Post-retirement benefits (contributions)	644	1,502	2,146
Pension Expense (contributions)	474	962	1,436
<b>Total compensation</b>	<b>\$39,938</b>	<b>\$49,656</b>	<b>\$89,594</b>
# active employees	697	698	1,395
<b>Cost per active employee</b>	<b>\$57</b>	<b>\$71</b>	<b>\$64</b>
Additional annual union employee costs:			
Post-retirement benefits (retiree - estimated)		\$4,379	
Pension Expense (retiree - estimated)		\$4,784	

*\*Does not include severance*



## **2015 OPERATING AND CAPITAL BUDGET RESOLUTION**

IT IS HEREBY RESOLVED, that the NYRA Board of Directors, having had full opportunity to inquire, consider, and understand, does hereby approve NYRA's 2015 Operating and Capital Budget.

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**2015 Schedule**  
**NYRA Board of Directors Meetings**

Monday, March 2, 2015 at 3:00 p.m. – New York City

Wednesday, April 22, 2015 at 3:00 p.m. – New York City

Wednesday, June 24, 2015 at 3:00 p.m. – New York City

Thursday, August 13, 2015 at 11:00 a.m. – Saratoga Springs, NY

Wednesday, October 21, 2015 at 3:00 p.m. – New York City

Wednesday, December 9, 2015 at 3:00 p.m. – New York City