

NEW NYRA
Summary of All Units
For the Twelve Months Ending December 31, 2012

	2012	2011		
	BUDGET	FORECAST	VARIANCE	VAR %
REVENUE				
On-Track take out	\$118,256,998	\$112,194,362	\$6,062,636	5.4%
On-Track breakage	2,295,253	2,179,560	115,693	5.3%
New York OTB	29,890,718	29,725,501	165,217	0.6%
Intrastate simulcasting	4,816,080	4,462,655	353,425	7.9%
Interstate simulcasting	87,964,215	79,150,725	8,813,490	11.1%
International simulcasting	870,868	1,873,731	(1,002,863)	-53.5%
On track racing related revenue	16,075,498	14,798,308	1,277,190	8.6%
Other revenue	14,550,965	14,351,781	199,184	1.4%
VLT Revenue	93,423,000	13,565,682	79,857,318	588.7%
GROSS REVENUE	368,143,595	272,302,305	95,841,290	35.2%
COST OF SALES				
News Stand	1,448,100	1,469,052	(20,952)	-1.4%
NYRA Rewards Rebate	3,922,894	3,661,614	261,280	7.1%
Programs	1,277,939	1,310,510	(32,571)	-2.5%
Food & Beverage	2,161,397	2,759,242	(597,845)	-21.7%
Gift Shop Items	0	60,043	(60,043)	-100.0%
TOTAL COST OF SALES	8,810,330	9,260,461	(450,131)	-4.9%
STATUTORY PAYMENTS				
Stakes & Purses	102,058,146	96,179,924	5,878,222	6.1%
Stakes & Purses-VLT	45,277,000	6,531,625	38,745,375	593.2%
Pari Mutuel Tax	8,670,019	8,233,059	436,960	5.3%
Breeding Fund	4,628,949	4,379,876	249,073	5.7%
NYS R&W Board	3,271,304	3,103,949	167,355	5.4%
TOTAL STATUTORY PAYMENT:	163,905,418	118,428,433	45,476,985	38.4%
NET REVENUE	195,427,847	144,613,411	50,814,436	35.1%
EXPENSES				
Salaries & Wages	58,732,187	60,094,559	(1,362,372)	-2.3%
Payroll Taxes	4,521,804	4,619,275	(97,371)	-2.1%
Benefits	2,758,546	2,539,981	218,565	8.6%
Union Fringe Benefits	12,352,175	13,545,868	(1,193,693)	-8.8%
401K	977,959	949,475	28,484	3.0%
Travel & Entertainment	2,519,627	2,377,482	142,145	6.0%
Employee Related Expenses	3,494	5,804	(2,310)	-39.8%
Operating Supplies	2,615,763	2,508,168	107,615	4.3%
Utilities:				
Gas	1,689,575	1,569,300	120,275	7.7%
Electricity	5,052,900	5,081,610	(28,710)	-0.6%
Water	972,900	737,815	235,085	31.9%
Dues & Subscriptions	922,634	840,492	82,142	9.8%
Printing Expense	169,922	91,069	78,833	86.5%
Training & Seminars	35,125	25,708	9,417	36.6%
Temporary Help	3,215,063	3,303,789	(88,726)	-2.7%
Outside Services	6,618,589	6,898,962	(280,373)	-4.1%
Shared Services	1,471,200	0	1,471,200	100.0%
Cable Contract	1,792,319	2,117,669	(325,350)	-15.4%
Video Streaming	261,903	210,969	50,934	24.1%
Telephone & Communications	5,947,880	4,836,414	1,111,466	23.0%
Postage & Mailing	162,131	189,359	(27,228)	-14.4%
Professional Fees:				
Legal	2,280,000	1,884,041	395,959	21.0%
Audit/Tax	575,000	753,217	(178,217)	-23.7%
Consulting	2,892,008	3,039,649	(147,641)	-4.9%
Information Technology	0	2,410	(2,410)	-100.0%
TOTE Expense	2,336,479	2,220,451	116,028	5.2%
Rentals & Leases	2,634,960	2,130,968	503,992	23.7%
Computer Equipment	60,000	63,637	(3,637)	-5.7%
Computer Software	12,000	11,068	932	8.4%
Repairs & Maintenance	5,228,096	5,204,489	21,607	0.4%
Garbage Removal	508,300	553,343	(45,043)	-8.1%
Manure Removal	1,093,600	972,884	120,716	12.4%
Insurance	6,893,336	6,702,862	190,474	2.8%
Licenses	436,401	484,231	(57,830)	-11.7%
Outrider Expenses	280,650	327,724	(47,074)	-14.4%
Meeting Expenses	23,825	27,608	(3,783)	-13.7%
Marketing & Advertising	5,048,396	3,928,721	1,119,675	28.5%
Horsemen Functions	24,000	20,577	3,423	16.8%
Charitable Contributions	1,653,090	1,483,930	169,160	11.4%
Recruiting Expense	61,000	193,378	(132,378)	-88.5%
Bad Debt Expense	366,000	2,202,807	(1,836,807)	-83.4%
Bank Charges	658,986	699,167	(40,181)	-5.7%
Real Estate & Other Taxes	58,117	103,887	(45,770)	-44.1%
Other Expenses	0	82,815	(82,815)	-100.0%
TOTAL OPERATING EXPENSES	145,916,060	145,647,452	268,608	0.2%
OPERATING INCOME	49,511,787	(1,034,041)	50,545,828	-4888.2%
NON-OPERATING EXPENSES				
Retiree Benefits	10,127,000	9,244,000	883,000	9.6%
Pension	7,719,000	5,506,044	2,212,956	40.2%
Interest Expense	460,000	484,540	(24,540)	-5.1%
Depreciation	2,537,000	3,602,031	(1,065,031)	-29.6%
Income Tax Expense	9,784,452	0	9,784,452	100.0%
TOTAL NON-OPERATING EXPE	30,627,452	18,836,615	11,790,837	62.6%
NET INCOME/(LOSS)	18,884,335	(19,870,656)	38,754,991	-195.0%

The New York Racing Association, Inc.

2012 Operating 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.

NYRA 2012 BUDGET: CRITICAL ASSUMPTIONS

NYRA Budgets \$19 Million of Net Income in 2012

In 2012, NYRA has budgeted gross revenue of \$368 million, including \$93 million of VLT revenue. After \$173 million of statutory expenses and cost of goods sold, Net Revenue is \$195 million. NYRA expects to generate \$50 million of operating income and \$19 million of Net Income.

NYRA Expects To Generate Operating Income From Current Racing Operations

NYRA's current racing operations are expected to generate \$275 million of gross revenue (excluding VLT's). After \$127 million of statutory payments and cost of goods sold, net revenue from racing operations is \$148 million. Operating expenses are expected to increase less than 1% to \$146 million, yielding operating income from current racing operations of \$2 million.

Aqueduct VLT Facility

The Resorts World New York City Casino opened Phase I on October 28, 2011 with 2,486 VLT's and Electronic Table Game (ETG's). As of the week ending November 26, 2011, the casino has grossed \$42.2 million in revenue with an average win per machine (WPM) per day of \$566 ranging from a high of \$618 WPM to a low \$516 WPM. On December 15, 2011, Phase II of the casino will open with an additional 2,514 gaming machines. The 2012 NYRA budget assumes an average WPM per day of \$380 which equates to approximately \$93.4 million on an annual basis; \$45.3 million to purses, \$27.5 million to capital and \$20.6 million to operating funds. Once complete, the casino is expected to be the highest grossing VLT facility in New York State.

Capital Expenditures

The long awaited launch of VLT's brings NYRA much needed capital to invest in the three racetracks. The 2012 capital budget is \$20 million. A substantial portion of the budget is dedicated to Belmont Park to satisfy environmental requirements and to begin to address essential backstretch housing improvements. NYRA will invest in its strategically important television operation, which supports \$1.8 billion of export handle. Also, the budget includes funds for further development of the long term capital plan at Saratoga. Investment in Saratoga completes the promised environmental remediation at the neighboring Yaddo retreat and critical infrastructure improvements such as a boiler and an irrigation system. At Aqueduct we focus on enhancements to improve the patron experience. Lastly, we will invest in fleet to support track operations and critical IT infrastructure upgrades. In the event VLT revenues substantially exceed expectations, NYRA has identified critical projects for review and approval at a later time.

Purses and Field Size

During 2012, 6.5% of VLT revenue is allocated to purses resulting in \$45 million of VLT generated purses. Together with handle generated purse of \$102 million, NYRA purses increase 43%. The increase in purses will enable NYRA to aggressively compete for horses. The budget conservatively assumes an average increase in field size per race of one half of one horse throughout the year. The increase in field size, together with more race days in 2012, is expected to drive a 5% to 8% increase in daily average handle depending on the race meet.

FIELD SIZE STATISTICS

The 2012 budget is predicated on a conservative increase in average field size of less than one horse driven by higher purses. We assume handle per betting interest remains generally consistent with 2011 results. In the short term, handle per purse dollar (purse yield) is likely to decline as the market adjusts to a material increase in New York purses.

<u>Aqueduct Winter</u>	<u>Daily Average 2011 Forecast</u>	<u>Daily Average 2012 Budget</u>	<u>Daily Average % 2012 vs. 2011</u>
Daily Handle on NYRA Races	\$5,741,028	\$6,211,280	8.2%
Average Field Size	7.1	7.6	7.0%
Handle per Betting Interest	\$89,307	\$89,290	0.0%
Handle per Purse Dollar	\$18.92	\$15.20	-19.7%
Daily Purses Paid	\$287,527	\$395,826	37.7%
<u>Belmont Spring</u>			
Daily Handle on NYRA Races	\$9,401,155	\$9,891,229	5.2%
Average Field Size	7.4	7.9	6.8%
Handle per Betting Interest	\$131,883	\$131,878	0.0%
Handle per Purse Dollar	\$19.96	\$15.70	-21.4%
Daily Purses Paid	\$473,911	\$643,018	35.7%
<u>Saratoga</u>			
Daily Handle on NYRA Races	\$13,512,617	\$14,369,740	6.3%
Average Field Size	8.2	8.7	6.1%
Handle per Betting Interest	\$160,837	\$160,585	-0.2%
Handle per Purse Dollar	\$19.42	\$15.60	-19.7%
Daily Purses Paid	\$671,487	\$898,162	33.8%
<u>Belmont Fall</u>			
Daily Handle on NYRA Races	\$7,283,396	\$7,701,686	5.7%
Average Field Size	8.2	8.7	6.1%
Handle per Betting Interest	\$96,901	\$96,930	0.0%
Handle per Purse Dollar	\$14.89	\$12.10	-18.7%
Daily Purses Paid	\$471,438	\$610,897	29.6%
<u>Aqueduct Fall</u>			
Daily Handle on NYRA Races	\$6,531,464	\$6,940,025	6.3%
Average Field Size	8.0	8.5	6.3%
Handle per Betting Interest	\$93,513	\$93,550	0.0%
Handle per Purse Dollar	\$19.31	\$15.70	-18.7%
Daily Purses Paid	\$343,015	\$444,278	29.5%
<u>Total:</u>			
Daily Handle on NYRA Races	\$8,197,573	\$8,706,249	6.2%
Average Field Size	8.0	8.5	6.3%
Handle per Betting Interest	\$120,783	\$120,736	0.0%
Handle per Purse Dollar	\$18.40	\$14.78	-19.7%
Daily Purses Paid	\$453,268	\$588,559	29.8%

**NYRA HANDLE AND OTHER RELEVANT STATISTICS
2012 BUDGET COMPARED TO 2011 FORECAST AND 2010**

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

(In thousands)

	FORECAST 2011	% Share	BUDGET 2012	% Share	% BUDGET 2012 vs. FORECAST 2011
<u>Aqueduct Winter</u>					
Race dates	73		76		4%
Live	\$58,741	12%	\$64,289	11%	9%
Export	\$360,398	71%	\$407,769	73%	13%
Import	\$86,605	17%	\$88,764	16%	2%
Total Handle	\$505,745	100%	\$560,821	100%	11%
<u>Belmont Spring</u>					
Race dates	55		56		2%
Live	\$77,319	13%	\$83,185	13%	8%
Export	\$439,778	76%	\$470,723	76%	7%
Import	\$64,940	11%	\$65,097	11%	0%
Total Handle	\$582,036	100%	\$619,006	100%	6%
<u>Saratoga</u>					
Race dates	39		40		3%
Live	\$140,278	25%	\$153,789	25%	10%
Export	\$386,705	69%	\$421,000	69%	9%
Import	\$36,633	6%	\$36,807	6%	0%
Total Handle	\$563,616	100%	\$611,597	100%	9%
<u>Belmont Fall</u>					
Race dates	36		36		0%
Live	\$41,656	14%	\$44,297	14%	6%
Export	\$221,093	74%	\$232,964	74%	5%
Import	\$37,587	13%	\$37,627	12%	0%
Total Handle	\$300,336	100%	\$314,888	100%	5%
<u>Aqueduct Fall</u>					
Race dates	37		38		3%
Live	\$36,424	13%	\$38,699	13%	6%
Export	\$205,025	73%	\$225,022	74%	10%
Import	\$40,605	14%	\$41,680	14%	3%
Total Handle	\$282,054	100%	\$305,401	100%	8%
<u>Total Handle</u>					
Race dates	240		246		3%
Live	\$354,418	16%	\$384,260	16%	8%
Export	\$1,612,999	72%	\$1,757,478	73%	9%
Import	\$266,370	12%	\$269,974	11%	1%
Total Handle	\$2,233,788	100%	\$2,411,712	100%	8%

DAILY AVERAGE HANDLE

Live On-Track, Export, Import

(In thousands)

	FORECAST 2011	BUDGET 2012	% BUDGET 2012 vs. FORECAST 2011
<u>Aqueduct Winter</u>			
Live	\$805	\$846	5%
Export	\$4,937	\$5,365	9%
Import	\$740	\$765	3%
Total Handle	<u>\$6,482</u>	<u>\$6,976</u>	<u>8%</u>
<u>Belmont Spring</u>			
Live	\$1,406	\$1,485	6%
Export	\$7,996	\$8,406	5%
Import	\$764	\$775	1%
Total Handle	<u>\$10,166</u>	<u>\$10,666</u>	<u>5%</u>
<u>Saratoga</u>			
Live	\$3,597	\$3,845	7%
Export	\$9,916	\$10,525	6%
Import	\$748	\$751	0%
Total Handle	<u>\$14,260</u>	<u>\$15,121</u>	<u>6%</u>
<u>Belmont Fall</u>			
Live	\$1,157	\$1,230	6%
Export	\$6,141	\$6,471	5%
Import	\$737	\$738	0%
Total Handle	<u>\$8,036</u>	<u>\$8,439</u>	<u>5%</u>
<u>Aqueduct Fall</u>			
Live	\$984	\$1,018	3%
Export	\$5,541	\$5,922	7%
Import	\$700	\$695	-1%
Total Handle	<u>\$7,226</u>	<u>\$7,635</u>	<u>6%</u>
<u>Total Handle</u>			
Live	\$1,477	\$1,562	6%
Export	\$6,721	\$7,144	6%
Import	\$736	\$744	1%
Total Handle	<u>\$8,933</u>	<u>\$9,450</u>	<u>6%</u>

HANDLE ANALYSIS

NYRA will schedule for 251 race days in 2012. The budget assumes five days will be cancelled due to weather. In 2011, NYRA scheduled 250 days and ten days were cancelled, nine due to weather and one due to business interruption caused by construction at the Aqueduct facility.

Aqueduct Winter Meet

- During the Aqueduct Winter Meet, total handle is projected to increase \$55.1 million or 11% due to three additional race days and an increase in handle wagered on NYRA races. The increase in handle on NYRA races is due to the projected increase in field size as a result of VLT purse funding. Daily average handle is projected to increase \$494,000 or 8%. Import handle is expected to increase 3% on a daily average basis.

Belmont Spring Meet

- The 2012 Belmont Spring Meet has one additional race day budgeted than actual race days in 2011. The total projected handle increase during the meet of \$37.0 million or 6% is attributable to the higher field sizes as a result of VLT purse funding. Import handle is projected to be flat both in total and on a daily average basis.

Saratoga Meet

- Total handle during the Saratoga Meet is projected to increase \$48.0 million or 9%. The increase is expected to come solely from handle on NYRA races as a result of increased field size. Import handle during the Saratoga Meet is projected to be in-line with 2011.

Belmont Fall Meet

- The Belmont Fall Meet is projected to have increases of 6% and 5% respectively on Live and Export handle. As is the case with the other meets, the reason for this projected increase can be attributed to an increase in field size. Daily average handle is expected to increase \$403,000 or 5%. Import handle is projected to remain consistent with 2011.

Aqueduct Fall Meet

- Total handle during the Aqueduct Fall Meet is projected to increase \$23.3 million or 8% due to higher expected field sizes as well as one additional budgeted race day when compared to 2011. Import handle is projected to increase \$1.1 million or 3% due to two additional calendar days during the meet due to the leap year. Average daily export handle is projected to increase 7% due to higher field size.

EXPORT MARKET
Top Five Export Customers

(in thousands)

<u>Export Customer</u>	<u>2011 Handle Forecast</u>	<u>2012 Handle Budget</u>	<u>% 2012 vs. 2011</u>
Elite Turf Club	\$116,612	\$127,107	9%
Twin Spires	\$101,112	\$110,212	9%
Woodbine	\$81,958	\$89,334	9%
TVG	\$73,421	\$80,029	9%
Bettor Racing OTB	\$63,853	\$69,600	9%
	<u>\$436,956</u>	<u>\$476,282</u>	<u>9%</u>
Other Export Locations	\$1,176,044	\$1,281,197	9%
Total Export Handle	\$1,613,000	\$1,757,479	9%

- Export handle for 2012 is projected to increase \$144.5 million or 9% to \$1.76 billion. NYRA's top five customers, Elite Turf Club, Twin Spires, Woodbine, TVG, and Bettor Racing OTB are expected to represent 27% of the export handle in 2012 consistent with 2011. The projected handle increase is attributable to six additional budgeted race days as well as increases in 2012 overnight and graded stakes purses (although as previously stated, the budget assumes five race day cancellations). Purse increases are projected to lead to larger field sizes as well as an even higher quality of races which in turn will lead to increased export handle. Daily average export handle is projected to increase by \$423,000 or 6% to \$7.1 million.
- Elite Turf Club consists of eight high volume players who wager heavily on the NYRA product. Elite has been NYRA's top out-of-state customer since they began wagering on NYRA races in July of 2010. Twin Spires and TVG are the top two Advanced Deposit Wagering (ADW) companies in the United States. Their customer base and handle have steadily increased year over year. Woodbine settles for over 60 simulcast locations in Canada with the majority of their handle coming from on-track and their account wagering platform. Bettor Racing OTB is a select concentrated group of high volume players, similar to the Elite Turf Club.
- While nationwide handle has trended downward in 2011, all five of NYRA's top customers have shown increases when compared to 2010.

ADDITIONAL HANDLE DETAIL

On-Track Handle by Content

	2012		2011		Change	
	BUDGET		FORECAST		\$	%
NYRA ON-TRACK HANDLE						
NYRA LIVE	\$384,259,785		\$354,418,220		\$29,841,565	8.4%
IMPORTS	269,974,284		266,370,170		3,604,114	1.4%
TOTAL NYRA ON-TRACK HANDLE	\$654,234,069		\$620,788,390		\$33,445,679	5.4%

- Total on-track handle for 2012 is projected to increase \$33.4 million or 5% to \$654.2 million. On-track handle on NYRA races is expected to increase \$29.8 million or 8% to \$384.3 million. As previously noted, the increase on NYRA races is based on the expectation of more race days and larger field size, which correlates to increased handle. Import handle is projected to increase minimally \$3.6 million or 1% to \$270.0 million. The budget assumes imports will be less competitive relative to NYRA races due to the increase in field size at NYRA tracks.

Account Wagering Handle

	2012		2011		Change	
	BUDGET		FORECAST		\$	%
ACCOUNT WAGERING HANDLE						
PHONE	\$68,621,175	25%	\$66,183,432		\$2,437,743	4.3%
INTERNET	97,457,036	41%	87,976,343		9,480,693	10.8%
BELMONT	36,603,821	16%	34,144,293		1,459,528	4.3%
AQUEDUCT	32,418,996	14%	30,479,337		1,939,658	6.4%
SARATOGA	14,182,940	6%	13,545,067		637,873	4.7%
TOTAL ACCOUNT WAGERING HANDLE	\$238,283,967	100%	\$222,328,470		\$15,955,497	7.2%

- **Account Wagering:** Total account wagering handle through the NYRA rewards program is projected to increase \$16.0 million or 7% to \$238.3 million, a result of both an increase in NYRA field sizes and a continuation of the traction the program has experienced in 2011 with growth of over 107%. In 2011 our NYRA Rewards account base has grown to 18,000 accounts from 8,000 in 2010. To service and maximize the value of this account base, an upgraded NYRA Rewards wagering site will be launched in December 2011 and will be supported by a refocused customer service effort including targeted lapsed player communication and increased on-track support and services.
- **Internet Handle:** Internet handle in 2012 is projected to increase \$9.5 million or 11% to \$97.5 million and represents 41% of the total projected account wagering handle and 15% of total on-track handle.
- **Telephone Handle:** Telephone handle in 2012 is projected to increase \$2.4 million or 4% to \$58.6 million and represents 25% of total projected account wagering handle and 9% of total on-track handle. Due to a 400% increase in call volume following the closure of NYCOTB, NYRA sought proposals to out-source its telephone wagering operation. Upon completion of the bidding process (in which no New York companies bid), NYRA outsourced its phone wagering operations to U.S. Off-track's Oregon facility. Subsequently, and at the request of Governor Cuomo, NYRA worked with both U.S. Off-track and the Empire State Development Corporation to move NYRA's business to an Amherst, NY facility which is expected to be operational on December 15, 2011.

**REVENUE FOR 2012 BUDGET COMPARED TO 2011 FORECAST
CURRENT RACING OPERATIONS – NO VLT REVENUE**

RACING RELATED REVENUE

(in thousands)

	2012	2011	Change	
	Budget	Forecast	\$	%
On-track	\$120,552	\$114,374	\$6,178	5.4%
Export revenue	93,651	85,487	8,164	9.6%
New York OTB	29,891	29,726	165	0.6%
Gross Pari-mutuel Revenue	\$244,094	\$229,587	\$14,508	6.3%
less: Statutory and Other				
Rewards Rebate	\$3,923	\$3,662	\$261	7.1%
Stakes & Purses-Pari-mutuel	102,058	96,180	5,878	6.1%
Other statutory payments	16,570	15,717	853	5.4%
Total Statutory and Other	\$122,551	\$115,558	\$6,993	6.1%
Net Wagering Revenue	\$121,543	\$114,028	\$7,515	6.6%
Other Revenue, net	\$12,390	\$11,593	\$797	6.9%
On-track Racing Related Revenue, net	13,349	11,959	1,391	11.6%
Net Revenue Racing Operations	\$147,282	\$137,579	\$9,702	7.1%

- **On-track Wagering Revenue:** On-track Wagering Revenue in 2012 is projected to increase \$6.2 million or 5% to \$120.6 million, primarily reflecting an increase in live race days and in-line with the projected handle increase.
- **Export Revenue:** Export Revenue in 2012 is projected to increase \$8.2 million or 10% to \$93.7 million in-line with the projected handle increase.
- **New York OTB Revenue:** Please see discussion on page 11.
- **Stakes & Purses-Pari-mutuel:** Accrued purse expense on pari-mutuel wagering for 2012 is projected to increase \$5.9 million or 6% to \$102.0 million due to the increase in wagering revenue.
- **Rewards Rebate:** The Rewards Rebate expense is a rebate awarded to NYRA Rewards customers reaching certain wagering levels. The Rewards Rebate expense in 2012 is projected to increase \$261,000 or 7.1% to \$3.9 million. The increase is in-line with the increase in account wagering.
- **Other Statutory Payments:** Other statutory payments, which include pari-mutuel taxes, NYS Racing and Wagering Board Regulatory fees and breeder's fund commission are projected to increase \$853,000 or 5% to \$16.6 million in 2012, in-line with the increase in wagering revenue.

- **Other Revenue:** Other Revenue which consists of sponsorships, group sales events, content fees, decoder rentals and facility, parking space rentals, ATM fees and other miscellaneous revenue is projected to increase \$797,000 or 7% to \$12.4 million in 2012. The projected increase in Other Revenue is primarily attributable to sponsorship revenue, which is projected to increase \$413,000 or 11% and partially offset by a reduction in miscellaneous revenue associated with one-time events in 2011.
- **On-Track Racing Related Revenue:** On-Track Racing Related Revenue, which includes sales from admissions, season passes, box and reserved seats, food concessions, parking, newspapers and programs, net of cost of sales is projected to increase \$1.4 million or 12% to \$13.3 million in 2012. The increase is due to an expected increase in attendance associated with a higher number of live race days, as well as new parking revenue at the Aqueduct facility.

VLT REVENUE

(in thousands)

	2012	2011	Change	
	Budget	Forecast	\$	%
Gross Based on WPM	\$687,800	\$100,492	\$587,308	584.4%
Stakes and Purses at 6.5%	45,277	6,532	38,745	593.2%
Capital at 4.0%	27,512	4,019	23,493	584.5%
Operations at 3.0%	20,634	3,015	17,619	584.4%
Gross VLT Revenue	\$93,423	\$13,566	\$79,857	588.7%
less: Stakes and Purses	\$45,277	\$6,532	\$38,745	593.2%
Net VLT Revenue	\$48,146	\$7,034	\$41,112	584.5%

- VLT Revenue:** VLT Revenue for 2012 is projected to be \$93.4 million, of which \$45.3 million is for stakes and purses, \$27.5 million for capital investment and \$20.6 million for operations. Projected VLT Revenue is based on 5,000 machines with a \$380 win per machine daily average. It should be noted that the Breeders Fund revenue of 1.0% of VLT gross is sent directly to the New York State Thoroughbred Breeding and Development Fund and is not reflected on NYRA financial statements.

(Also see VLT Sensitivity Analysis on page 27)

- **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 is projected to increase \$165,000 or nearly 1% to \$29.9 million. The increase is attributable to projected increases in revenue received on NYRA races (\$1.1 million or 9%) and contractual revenue (\$199,000 or 7%), partially offset by the projected decrease in revenue received on out of state races (\$1.1 million or 8%):

New York OTB Gross Revenue				
(in thousands)				
<i>Twelve Months Ended December 31</i>	2012	2011	Change	
	Budget	Forecast	\$	%
NYRA Races				
Nassau Regional OTB	\$5,190	\$4,736	\$454	9.6%
Suffolk District OTB	2,974	2,720	254	9.3%
Capital OTB	2,497	2,273	224	9.8%
Catskills OTB	1,487	1,383	104	7.5%
Western Regional OTB	937	876	61	7.0%
Total NYRA Revenue NY OTB's	\$13,084	\$11,988	\$1,096	9.1%
OUT-OF-STATE RACES				
Nassau Regional OTB	\$4,937	\$5,346	(\$409)	-7.7%
Suffolk District OTB	2,299	2,491	(192)	-7.7%
Capital OTB	2,778	3,012	(234)	-7.8%
Catskills OTB	1,845	2,003	(158)	-7.9%
Western Regional OTB	1,811	1,948	(137)	-7.0%
TOTAL NON-NYRA REVENUE NY OTB'S	\$13,669	\$14,800	(\$1,131)	-7.6%
CONTRACT				
Nassau Regional OTB	\$1,084	\$989	\$95	9.6%
Suffolk District OTB	717	656	61	9.3%
Capital OTB	700	700	0	0.0%
Catskills OTB	377	351	26	7.4%
Western Regional OTB	259	242	17	7.0%
TOTAL CONTRACT REVENUE NY OTB'S	\$3,137	\$2,938	\$199	6.8%
TOTAL				
Nassau Regional OTB	\$11,211	\$11,071	\$140	1.3%
Suffolk District OTB	5,990	5,867	123	2.1%
Capital OTB	5,975	5,985	(11)	-0.2%
Catskills OTB	3,709	3,737	(28)	-0.7%
Western Regional OTB	3,007	3,066	(59)	-1.9%
TOTAL REVENUE NY OTB'S	\$29,891	\$29,726	\$165	0.6%

**OPERATING EXPENSES FOR THE 2012 BUDGET
COMPARED TO 2011 FORECAST**

The following table is a summary of operating expenses for the 2012 budget compared to the 2011 forecast.

(in thousands)

	2012	2011	Change	
	Budget	Forecast	\$	%
Salaries and Wages	\$58,732	\$60,095	(\$1,362)	(2.3%)
Payroll Taxes	4,522	4,619	(97)	(2.1%)
Benefits	16,089	17,035	(947)	(5.6%)
Travel & Entertainment	2,520	2,377	142	6.0%
Operating Supplies	2,616	2,508	108	4.3%
Utilities	7,715	7,389	327	4.4%
Dues & Subscriptions	923	840	82	9.8%
Temporary Help	3,215	3,304	(89)	(2.7%)
Outside Services	6,619	6,899	(280)	(4.1%)
Shared Services	1,471	0	1,471	100.0%
Cable Contract	1,792	2,118	(325)	(15.4%)
Video Streaming	262	211	51	24.1%
Telephone & Communications	5,948	4,836	1,111	23.0%
Professional Fees:				
Legal	2,280	1,884	396	21.0%
Audit/Tax	575	753	(178)	(23.7%)
Other Consulting	2,892	3,040	(148)	(4.9%)
TOTE Expense	2,336	2,220	116	5.2%
Rentals & Leases	2,635	2,131	504	23.7%
Repairs & Maintenance	5,226	5,204	22	0.4%
Garbage Removal	508	553	(45)	(8.1%)
Manure Removal	1,094	973	121	12.4%
Insurance	6,893	6,703	191	2.8%
Marketing & Advertising	5,048	3,929	1,120	28.5%
Charitable Contributions	1,653	1,484	169	11.4%
Bad Debt Expense	366	2,203	(1,837)	(83.4%)
Other Expenses	1,986	2,338	(353)	(15.1%)
Total Operating Expenses	\$145,916	\$145,647	\$269	0.2%

- **Total Operating Expenses** – Total Operating Expenses for 2012 are projected to increase only \$269,000 or .2% to \$145.9 million.
- **Salaries and Wages** – Salaries and Wages in 2012 are projected to decrease (\$1.4 million) or (2%) to \$58.7 million. The decrease is primarily attributable to a (\$3.0 million) reduction in salaries and wages associated with the cleaning and trade personnel at Aqueduct being replaced by the shared service agreement with Genting. In addition, salaries for the Mutuels department were reduced by approximately (\$765,000) mainly reflecting a full year of outsourced phone operation compared to eight months in 2011. The decrease in salaries and wages is partially offset by a 3% employee wage increases and some new positions slated for 2012.

- **Benefits** – Benefits are projected to decrease (\$947,000) or (6%) to \$16.0 million. The major driver here is the reduction in union employees at Aqueduct associated with the shared service agreement with Genting. NYRA’s health insurance premiums in 2012 will increase by 5.9%, largely as a result of claims experienced during the past year that was better than projected (NYRA’s premiums are fully insured, but experience rated). This is a very favorable development, coming on the heels of a 39% increase in our 2010 premiums. The 2010 increase reflected very adverse claims experience at NYRA as well as a spike in medical inflation that occurred throughout the country.
- **Travel and Entertainment** – Travel and Entertainment is projected to increase \$142,000 or 6% to \$2.5 million, driven by a 5% increase in Saratoga per-diem rates for 2012.
- **Utilities** – Utilities expense for 2012 is projected to increase \$327,000 or 4% to \$7.7 million. The increase is attributable to a 32% increase in projected water costs based on the assumption of more water usage as compared to 2011, which had an abnormally high amount of wet weather.
- **Outside Services** – Outside Services are projected to decrease (\$280,000) or (4%) to \$6.6 million. The reduction is primarily a result of no longer needing the bus transportation services at Aqueduct used in 2011 to capture former NYC OTB patrons after the NYC OTB’s shut down, as well as a decrease in TV Broadcasting of the NBC/NBC Sports Summer at Saratoga Series due to fewer shows scheduled for 2012, offset by an increase in outside service trade labor for the Aqueduct Backstretch.
- **Shared Services** – NYRA has budgeted \$1.5 million based on the shared service agreement with Genting which provides for the cleaning and maintenance of the Aqueduct facility.
- **Cable Contract** – Cable Contract expense is projected to decrease (\$325,000) or (15%) to \$1.8 million. The reduction is directly related to the terms of the cable contract with the City of New York (Channel 71) which decreased in the second half of 2011.
- **Telephone and Communications** – Telephone and Communications is projected to increase \$1.1 million or 23% to \$5.9 million. The increase is primarily due to the costs associated with a full year of outsourcing the Telebet operation, compared to eight months in 2011.
- **Professional Fees: Legal** –Legal fees are budgeted to increase \$396,000 or 21% to \$2.3 million. The increase is primarily associated with the new integrity counsel (Morville, Abramowitz) expensed for the full year, whereas in 2011 NYRA operated without Integrity Counsel for three months as we conducted a formal bidding process for new Integrity Counsel.

- **Professional Fees: Consulting:** - Consulting fees are projected to decrease (\$148,000) or (5%) to \$2.9 million related to the Turnberry agreement and partially offset by an increase in a full year of ADW consulting services, compared to six months in 2011.
- **Tote Expense** – Tote Expense for 2012 is projected to increase \$116,000 or 5% to \$2.3 million, in-line with the projected increase of 5% in on-track wagering revenue.
- **Rental and Leases** – Rental and Lease expense includes parking lot rental, rentals associated with the Saratoga meet, starting gate rentals, equipment rentals, auto leases and copier leases. Rental and Lease expense for 2012 is projected to increase \$504,000 or 24% to \$2.6 million. The increase is primarily attributable to a \$388,000 increase in parking lot rentals associated with an agreement with the Port Authority and Genting and an \$82,000 increase due to the new infield board rentals as well as an increase of \$40,000 in starting gate rentals based on a projected 7% increase in the daily rate.
- **Repair and Maintenance** – Repair and Maintenance for 2012 is projected to cost \$5.2 million, flat compared to 2011. Major repair and maintenance line items included in this expense are fleet, elevator and escalator repair, plumbing and electrical, track maintenance and maintenance service contracts.
- **Manure Removal** –Manure removal is projected to increase \$121,000 or 5% to \$1.6 million due to the expectation of more horses at the tracks associated with the larger field sizes projected for 2012.
- **Insurance** – Insurance is projected to increase \$191,000 or 3% to \$6.9 million. The increase is primarily attributable to an increase in workers compensation premiums, partially offset by reductions in umbrella insurance and in unemployment insurance. Major policies include workers compensation, unemployment insurance, general liability insurance, umbrella insurance, property insurance, auto insurance, disability insurance and trustee/officer insurance.
- **Marketing** – Marketing expense for 2012 is projected to increase \$1.1 million or 29% to \$5.0 million. The 2012 budget anticipates the hiring of a new VP of Marketing. With new leadership in this position NYRA intends to dedicate resources to this area.
- **Charitable Contributions** – Charitable Contributions are projected to increase \$169,000 or 11% is primarily due to increases of \$92,500 for Toys for Tots, \$29,500 for Saratoga Bridges, \$25,000 for Race for Education and \$23,000 for Jamaica Hospital Medical.
- **Bad Debt Expense** – Bad Debt Expense for 2012 is projected to decrease (\$1.8 million) or (83%) to \$366,000. The 2011 Bad Debt expense included the one-time write-off of \$2.0 million of pre-petition amounts due from Suffolk OTB. The amount projected for 2012 is attributable to certain “Old NYRA” expenses continuing to be paid by New NYRA including property taxes and DIP interest.

- **Other Expenses** - Other Expenses is projected to decrease (\$353,000) or (15%) to \$2.0 million. The decrease is primarily attributable to 2011 expenses not repeated in 2012 including recruiting a Vice President of Marketing and Chief Financial Officer, safety and integrity permits that are paid every other year, a reduction of professional licenses associated with the union personnel reduced at Aqueduct, and various other small one time write offs in 2011.

**NON-OPERATING EXPENSES FOR THE 2012 BUDGET
COMPARED TO 2011 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 as compared to the 2011 forecast:

(in thousands)

	2012	2011	Change	
	Budget	Forecast	\$	%
Retiree Benefits	\$10,127	\$9,244	\$883	9.6%
Pension	7,719	5,506	2,213	40.2%
Interest Expense	460	485	(25)	(5.1%)
Depreciation	2,537	3,602	(1,065)	(29.6%)
Loss/(Gain)-Fixed Asset Sale	0	0	0	0.0%
Income Tax Expense	9,784	0	9,784	0.0%
Total Non-Operating Expenses	\$30,627	\$18,837	\$11,791	62.6%

- **Retiree Benefits** - Retiree Benefits expense for 2012 is projected to increase \$883,000 or 10% to \$10.1 million. The increase is attributable to an estimated change in discount rate from 5.30% in 2011 to 4.75% in 2012.
- **Pension** – Pension expense for 2012 is projected to increase \$2.2 million or 40% to \$7.8 million. The increase is attributable to actuarial variances (actual assets are less than expected) and a change in discount rate from 5.30% in 2011 to 4.75% in 2012.
- **Interest Expense** – Interest Expense for 2012 is projected to decrease (\$25,000) or (5%) to \$460,000. The decrease is attributable to lower loan balances. NYRA expects to begin repaying the \$25 million loan outstanding beginning on April 28, 2012.
- **Depreciation** – Depreciation expense for 2012 is projected to decrease (\$1.1 million) or 30% to \$2.5 million. The decrease is attributable to certain assets from “Old NYRA” totaling \$2.2 million coming off the books as fully depreciated in 2012 partially offset by new assets added due to higher capital expenditures.
- **Income Tax Expense** – Income Tax Expense for 2012 is projected to be \$9.8 million calculated at 39% of pre-tax net income.

PURSE LIABILITY

As of December 31, 2011, the accrued but unpaid purse liability is projected to be \$4.7 million compared to \$5.3 million at December 31, 2010. Projections indicate payments to purses for 2012 will be approximately \$147.3 million, which includes an estimated \$45.3 million derived from VLT revenue received during 2012.

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 \$14.0 million on December 31, 2012.

2012 Purse Cushion Projection

(in thousands)

Accrued but unpaid purses at 12/31/2011	<u>\$4,730,492</u>
Accrued Purses From Wagering Revenue in 2012	102,058,146
Purse Cash Payments From, Wagering Revenue in 2012	(96,622,820)
Accrued But Unpaid Purses From Wagering Revenue at 12/31/2012	<u>\$10,165,818</u>
Projected Accrued Purses From VLTs in 2012	45,277,000
Projected Cash Payments From VLTs in 2012	(45,277,000)
Total Projected Accrued But Unpaid Purses at 12/31/2012	<u><u>\$10,165,818</u></u>

CAPITAL SPENDING

For the fiscal year 2012 NYRA plans to invest \$20.3 million in capital improvements. These projects will address CAFO compliance at Belmont, enhance the living conditions for backside workers in Belmont, increase NYRA's operational efficiency and improve the customer experience.

(in thousands)	2012 BUDGET
AQUEDUCT	
AC for 1st and 2nd floor Clubhouse	1,000
Warning Light System	100
Patron Area Improvements	495
Other	450
	2,045
BELMONT	
CAFO & Storm Water Management	2,250
Dorms	4,500
Patron Area Improvements	420
Warning Light System	50
Barn Area	850
Other	725
	8,795
SARATOGA	
Yaddo	700
Surveys	800
Master Development	1,250
Patron Area Improvements	455
Warning Light System	120
Barn Area	235
Other	875
	4,435
NYRA TV	2,601
FLEET EQUIPMENT	1,271
INFORMATION TECHNOLOGY	
Telephone System Upgrade	300
Wi-Fi	375
Other	470
	1,145
Total CAPEX Expenditures	20,292

Aqueduct

Air Conditioning

- The 1st and 2nd floors are used for Simulcasting year round. Several rooftop air conditioning units would provide a comfortable climate for patrons and employees.

Patron Area Improvements

- Aqueduct has experienced significant increases in attendance since NYCOTB closed and may see increased traffic due to the opening of Resorts World Casino. NYRA expects to complete a number of projects to increase the overall appeal to customers. These improvements include installing bright electronic signs and attractive wall and window decorations and replacing worn and outdated furniture and televisions. The Manhattan Terrace deck area, which is in deteriorated condition, would be refinished. Another important project is refurbishing the floor expansion joints in the Clubhouse, which are currently in disrepair and create a safety hazard. It is also expected that NYRA will replace the third floor ceiling, which is obsolete, patched, and stained.

Employee Area Improvements

- In order to make the building more secure and increase the protection of the employees, an employee access control system will be installed throughout the facility. An upgraded lunchroom will boost the morale of the employees at Aqueduct, where many work year-round.

Turf Drainage

- Lateral turf drainage will be installed at Aqueduct in the area from the 5/8 pole to the 3/16 pole where the water damage is worst. This will help keep more races on the turf in bad weather.

Belmont

CAFO

- The environmental projects at Belmont will continue. In 2012, NYRA expects to install sanitary sewer system monitors to measure the flow into the Nassau County sewer main, storm drain connections for barn roof drainage and 80 concrete wash pads. Each of the wash pads will have special separate sewer lines for the drainage of water coming off of the horses being washed. NYRA will also construct a drainage control system around the perimeters of the two dirt course to prevent silt from getting into the storm drainage system.

Dorms

- In 2012, NYRA will undertake a project to build dormitories in the backstretch at Belmont Park. These concrete (modular) dorms will house between 120 and 140 backstretch workers. This will be the first step towards replacing the current dorms, which are in a state of deterioration and disrepair.

Patron Area Improvements

- Several projects would improve the patrons' experience during the live race season and simulcasting. New tables and chairs will be purchased for the Belmont Café, optimizing space and increasing seating. The Belmont Café is used for Breakfast at Belmont during the live race meet and is the home of dark day simulcasting at the track. Updating obsolete televisions in both the Garden Terrace and 2nd floor handicapping carrels will give the patron a better handicapping and dining experience.
- In 2011, NYRA entered into a contract with Pierre "Peb" Bellocq, so as to initiate the planning process for the expansion of his mural in the Belmont Park Clubhouse. The work is expected to be completed in 2012.

Barn Improvements

- Improvements to the barn area have been ongoing. NYRA will replace ten barn and cottage roofs with metal roofs to reduce the amount of leakage and maintenance currently being experienced with asbestos shingling. These roofs come with a forty year guarantee and the initial reviews from horsemen have been positive. NYRA also plans to install flowable fill concrete and replace wooden catwalks with concrete in the front of each individual stall. With the wood that is currently in the barns, the horses put holes in the floor, creating both a safety hazard and maintenance issue. Concrete catwalks will reduce the maintenance involved in the barn upkeep and increase the safety for the horses. In addition to the catwalks in front of the stalls, there are also plans to dedicate \$200,000 to replace the wood floors in the stalls with flowable fill and rubber mats. Not only does this reduce the maintenance in the stall, it will also reduce the amount of hay used and increase the safety and comfort of the horses.

Saratoga

Yaddo

- One of Saratoga's largest projects includes improvements to the Yaddo property; where, over multiple years, dams and retaining walls will be built between the two properties, the Yaddo ponds will be completely cleaned out; and a separate, one acre NYRA wetlands will be created to gather track runoff away from the Yaddo property. In 2012, NYRA plans to complete the second phase of the project, in addition to commencing and completing the third phase of this project. Phase II, physically located on Yaddo property, consists of re-stabilizing the existing embankment and replacing two storm water outfalls. This project also consists of constructing three earthen dams to control sediment runoff from the NYRA property. Phase III consists of dredging the three Yaddo ponds to remove existing sediment buildup.

Surveys

- At the current time there is very little survey information (in digital form) regarding the structures and infrastructure at Saratoga Race Course. In order to develop an investment strategy for the property it is critical that we ascertain this information in order to develop reliable costing estimates for NYRA's long term investment strategy.

Saratoga Long Term Investment Master Plan

- In August of 2011, Turnberry Consulting presented to NYRA's Board of Directors a list of conceptual capital investment projects for Saratoga Race Course. In order for management to present a long-term investment strategy and a phasing plan we must first assess all options in terms of: a) cost to build, b) impact on operations, c) return on capital and d) historical significance. In 2012, NYRA management and the design team will develop a Master Plan that will include further design of all potential projects, a financial and operational assessment of each which will result in the presentation of a long term implementation strategy for the Board to consider.

Irrigation Design for Main Turf Course

- A pump and irrigation design is the first phase of installing an automated sprinkler system to improve the current operation that calls for workers to come in at night when the grass is to be watered and physically move an aluminum pipe all the way around the turf for it to be watered.

All locations

NYRA TV

- In order to keep pace with changing technology and keep systems current and functional, investment must be made into the NYRA TV equipment.
- NYRA will purchase three robotic cameras, which will be replacing obsolete cameras that continue to fail after many years of use. In addition, a new TV truck will be acquired to accommodate the equipment that has been added over the past several years.

- NYRA will purchase and install production equipment for the new television truck that was purchased in 2011.
- Equipment will be purchased to increase channel count from 56 to 70.
- An upgraded public address system will be installed at all three tracks, as the current system is in poor condition. Upgrading the PA system will enhance the customers' on-track experience.

Warning Light System

- All of NYRA's tracks (Aqueduct Main, Belmont Main, Belmont Training, Saratoga Main and Oklahoma) will have a warning light system installed. (System was installed at Belmont training track in 2011.) The remaining four tracks will be done in 2012. The warning light system is cost effective as well as a huge upgrade in safety. Gap attendants are no longer needed, nor is "track closed" signage or any other related material. If the lights are on, the track is closed. The clockers or outriders have a remote control that, when the button is pushed, turns the flashing lights on. This is for use in the event a horse breaks down or a jockey or exercise rider falls.

Fleet Equipment

- NYRA will acquire two new tractors with Power Take Off to operate snow blowers on the track. These vehicles, which have a 10-15 year life cycle, will clear the snow efficiently, thus saving significant labor. NYRA will also purchase a Vac-All, which is required for Belmont CAFO compliance, as well as a new horse trailer and a four wheel drive human ambulance. NYRA will also replace a 30 year old boom truck. In addition, eight used vehicles will be purchased to replace 20 year old vehicles that are currently in the maintenance fleet.

New Phone System

- The current phone system at NYRA is significantly outdated and at its end of life which makes it very expensive to operate. To change the current system, NYRA has various options; one of which is to use SIP (Session Initiation Protocol) trunking to connect and re-route all calls through the internet cloud thereby eliminating many lines at each track which will result in cost savings. SIP trunking will make call management and routing easy and more efficient. This is the first step towards transitioning to complete VOIP in the future. The new system could potentially bring substantial savings for NYRA.

Wi-Fi

- NYRA plans to install enterprise Wi-Fi connectivity at all three tracks. This project would allow for greater ease of trackside betting.

Website Enhancements

- In 2011, NYRA began the process of redesigning its website, NYRA.com. The current website is based on a very antiquated framework and requires an inordinate amount of manual work to maintain and update. NYRA's current online marketing and communications presence is centered around social media sites like Facebook and Twitter, and on our expanding library of unique video. Whereas almost every website

designed within the past few years is able to seamlessly integrate social media and video functionality, the outdated NYRA.com website cannot integrate either social media platforms or videos. In addition, because of the antiquated content management system on the current NYRA.com, the site ends up looking cluttered and visually displeasing. In this day and age, any company's marketing and communications effort is driven by its website, and NYRA will benefit greatly in these areas with the design of a new, modernized, integrated, and fully functional NYRA.com. In 2012, NYRA will complete this project and enhance the NYRA Rewards Website as well as the Mobile Applications.

LIQUIDITY

At December 31, 2011, NYRA projects to have roughly \$7.3 million of cash on hand and \$3.0 million in the pari-mutuel vaults to support wagering activities.

2012 Cash Flow

(In thousands)

	JAN	FEB	MAR	APR	MAY	JUNE	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Operating Income	1,920	1,628	1,470	875	4,388	7,939	6,327	17,328	1,466	3,599	2,970	(397)	49,512
Plus: accrued purses	10,187	9,750	11,260	10,048	12,427	14,782	14,142	20,710	11,472	11,673	11,262	9,642	147,335
Less: cash purses	(7,537)	(6,183)	(6,621)	(9,336)	(12,842)	(14,065)	(15,820)	(21,839)	(13,646)	(14,927)	(9,648)	(7,338)	(141,900)
Capital Expenditure	(1,800)	(1,510)	(1,540)	(1,304)	(1,017)	(1,154)	(1,478)	(1,562)	(2,122)	(2,221)	(2,271)	(2,316)	(20,292)
Pension (cash)	(1,481)	-	-	(2,388)	-	-	(2,388)	-	(2,445)	(2,388)	-	-	(11,100)
OPEB (cash)	(425)	(425)	(425)	(425)	(425)	(425)	(425)	(425)	(425)	(425)	(425)	(425)	(5,100)
Genting Loan Repayment Through Cap Fund	-	-	-	-	(702)	(702)	(702)	(702)	(702)	(702)	(702)	(702)	(5,616)
Genting Loan Repayment Through Operating Funds	-	-	-	-	(301)	(301)	(301)	(301)	(301)	(301)	(301)	(301)	(2,408)
Working Capital(1)	5,844	641	(3,449)	805	2,881	(8,320)	1,785	2,153	(1,510)	(1,300)	90	(1,600)	-
Free Cash Flow ("FCF")	6,679	3,900	(1,306)	(1,724)	4,409	(245)	1,019	15,362	(8,213)	(8,992)	975	(3,434)	10,431
Beginning Cash(2)	10,323	17,002	20,902	19,596	17,872	22,281	22,036	23,056	36,417	30,205	23,213	24,188	10,323
Ending Cash(2)	17,002	20,902	19,596	17,872	22,281	22,036	23,056	36,417	30,205	23,213	24,188	20,754	20,754

NOTES:

- (1) Captures changes due to receivable and payable seasonality and anticipated cash payments of large accrued expenses such as legal fees
 (2) Includes cash in operating accounts and vault

- The cash flow model assumes the VLT facility is fully operational as of January 1, 2012 with 5,000 machines and a \$380 win per machine (WPM).
- NYRA's \$25 million loan with Genting New York is scheduled to commence repayment on April 28, 2012, six months from the start of VLT operations on October 28, 2011, as set forth in Article II Section 2.3 of the NYRA Financing Agreement dated September 13, 2010. Accrued interest as of December 31, 2011 is projected to be \$620,000. Based on an average WPM of \$380, NYRA anticipates full repayment of principal and interest during the second half of 2014.

VLT SENSITIVITY ANALYSIS

The following VLT sensitivity report will show the impact in VLT proceeds based on various Win Per Machine (WPM) levels. The 2012 budget assumes a \$380 WPM. The analysis will show that for every \$50 increase in WPM approximately an additional \$12.3 million will be available (\$6.0 million for purses, \$3.6 million for capital investment and \$2.7 million for NYRA operations). Also, the higher the WPM, the higher the debt service in 2012 and the sooner the loan is paid in full.

	<u>2012 Budget</u>	<u>Sensitivity</u>	<u>Sensitivity</u>
Win per machine	\$380	\$430	\$480
Number of VLTs	5,000	5,000	5,000
Revenue			
VLT Purse Funding	\$45,277,000	\$51,374,250	\$57,348,000
Capital Investment Fund	27,512,000	31,132,000	34,752,000
NYRA Operations	20,634,000	23,349,000	26,064,000
Total Revenue	\$93,423,000	\$105,855,250	\$118,164,000
<u>2012 Debt Service</u>			
25% Capital Funds	\$4,585,333	\$5,188,667	\$5,792,000
25% NYRA Operations	3,439,000	3,891,500	4,344,000
Total (Beginning April 28, 2012)	\$8,024,333	\$9,080,167	\$10,136,000

2012 INDUSTRY PROJECTIONS

	<u>12 Months Ended 12/31/12</u>	<u>12 Months Ended 12/31/11</u>	<u>% Variance</u>
<u>Industry</u>			
Wagering on U.S. Races	\$10,022,225,586	\$10,563,201,678	-5.1%
U.S. Purses	\$1,086,140,562	\$1,039,047,239	4.5%
U.S. Race Days	4,964	5,217	-4.8%
Handle Yield Per Purse Dollar Invested	\$9.23	\$10.17	-9.2%
<u>NYRA</u>			
Wagering on NYRA Races	\$2,141,737,340	\$1,967,417,936	8.9%
NYRA Purses	\$141,899,818	\$104,547,869	35.7%
NYRA. Race Days	246	240	2.5%
Handle Yield Per Purse Dollar Invested	\$15.09	\$18.82	-19.8%
<u>NYRA as Percentage of Industry</u>			
Wagering on U.S. Races	21.4%	18.6%	
U.S. Purses	13.1%	10.1%	
U.S. Race Days	5.0%	4.6%	

- NYRA estimates a decrease of 5% in wagering on U.S races and race days compared to a 9% increase in wagering on NYRA races and an increase of 3% in NYRA race days. NYRA projects that it will contribute 5% of total industry race days, offer 13% of purses and generate 21% of thoroughbred handle across the United States. NYRA projects that every dollar invested in purses at NYRA will yield \$15.09 in handle compared to \$9.23 industry-wide.

EXHIBIT 1

PROJECTED FRANCHISE FEE CALCULATION

The franchise fee is calculated as the lesser of (A) adjusted net income or (B) operating cash as defined within the franchise agreement. Based on the calculation below, NYRA does not anticipate a franchise fee expense in 2012.

<u>ADJUSTED NET INCOME CALCULATION:</u>	(unaudited) <u>2011</u>	(unaudited) <u>2012</u>
Net Income	(\$19,871)	\$18,884
Adjustments:		
Depreciation	\$3,602	\$2,537
VLT Loan Repayment	\$0	(\$6,974)
Capital Expenditures	(\$2,775)	(\$20,292)
Principal Capital Lease Obligations	(\$409)	(\$409)
IRS Claim Principal Pmt	\$0	\$0
(A) ADJUSTED NET INCOME	<u>(\$19,453)</u>	<u>(\$6,254)</u>
<u>OPERATING CASH CALCULATION:</u>		
Available Cash:		
Cash & Cash Equivalents	\$10,323	\$20,754
Less:		
CASH -VAULT	(\$3,000)	(\$3,000)
Available Cash	<u>\$7,323</u>	<u>\$17,754</u>
Statutory Expenses per Budget	(\$118,628)	(\$122,188)
Operating Expenses per Budget	(\$145,916)	(\$149,865)
Non-operating Expenses per Budget	(\$20,843)	(\$23,537)
Total Operating Expenses per Budget	<u>(\$285,387)</u>	<u>(\$295,590)</u>
Daily Average (365 Days)	(\$782)	(\$810)
45 Days Operating Expenses per Budget	<u>(\$35,185)</u>	<u>(\$36,443)</u>
 (B) OPERATING CASH	 <u>(\$27,862)</u>	 <u>(\$18,689)</u>
 FRANCHISE FEE PAYMENT DUE	 <u>\$0</u>	 <u>\$0</u>

2012 HEADCOUNT SUMMARY

Description

NYRA Finance examined the NYRA employee headcount over the past year as a guide to budgeting 2012. The analysis relied on data from NYRA's Human Resources Information System and ADP, NYRA's payroll processor.

The table is intended to provide a high level overview of projected 2012 staffing levels, broken down by Full and Part Time, Saratoga Help, Belmont Stakes Help, and the Requested New Hires. Part-Time employees are those employees who work less than 35 hours per week and generally are not eligible for healthcare benefits. The seasonal employees, with the exception of Facilities seasonal employees, are those employees recruited and processed by the employment agency Forum, mainly for the Saratoga race meet.

2012 Projected Staffing												
Department	Full Time			Part Time			Extras/ Saratoga Help	Belmont Stakes Help	Open Positions Full Time	Open Positions Part Time	Total Staff	
	Non Union	Union	Total	Non Union	Union	Total						
Mutuels	16	133	149	10	0	10	161	103	0	0	423	
Racing	79	43	122	23	0	23	0	0	1	1	146	
NYRA TV	12	21	33	0	11	11	0	0	0	0	44	
Facilities-Aqu	3	21	24	0	2	2	0	0	0	0	26	
Facilities-Bel	10	121	131	16	8	24	0	0	1	0	156	
Facilities-Sar	6	24	30	34	17	51	0	0	0	0	81	
Track-Aqu	5	0	5	0	0	0	0	0	0	0	5	
Track-Bel	4	0	4	0	0	0	0	0	0	0	4	
Track-Sar	0	0	0	0	0	0	0	0	0	0	0	
Legal	7	0	7	1	0	1	0	0	0	0	8	
Fleet-Aqu	1	0	1	0	0	0	0	0	0	0	1	
Fleet-Bel	1	0	1	0	0	0	0	0	0	0	1	
Fleet-Sar	0	0	0	0	0	0	0	0	0	0	0	
Security	67	103	170	82	48	130	232	0	0	0	532	
Clearing	6	61	67	0	65	65	0	0	0	0	132	
Guest Services	6	1	7	9	0	9	0	0	1	0	17	
Communications	6	0	6	5	0	5	0	0	1	0	12	
Marketing	8	0	8	8	0	8	0	0	2	0	18	
HR	14	0	14	6	0	6	0	0	0	0	20	
IT	19	0	19	0	0	0	0	0	2	0	21	
Finance	31	0	31	2	0	2	0	0	5	0	38	
Executive	5	0	5	0	0	0	0	0	0	0	5	
Food & Bev	10	0	10	37	0	37	0	0	2	7	49	
Admiss & Parking	16	51	67	20	43	63	0	0	0	0	130	
NYRA Rewards	7	0	7	6	0	6	0	0	1	0	14	
Total	339	579	918	259	194	453	393	103	16	8	1,891	

Description of Open Positions

- The Racing department will be hiring two new employees; a full-time valet, who assist the jockey in getting ready for each race, and a part-time veterinarian. Both of these positions are needed to accommodate the expected increase in field size at NYRA tracks.
- The Facilities department will be hiring an additional maintenance supervisor located at Belmont year-round. This position will be needed to ensure work orders are completed in a timely matter.

- Guest Services will be hiring one employee; a guest services assistant to help facilitate the two downstate tracks opening for full-year simulcasting.
- Communications is expected to hire a publicity specialist who will be responsible for creating and maintaining a strong relationship with the external press
- The Marketing Department is projected to hire two employees: one to fill the vacant Vice President of Marketing position and the second to support the sponsorship sales manager.
- Information Technology is anticipating two new hires in 2012, a senior systems engineer and a help desk support position.
- The Finance department will be hiring five employees. A full-time accounts receivable coordinator, replacing the current part-time A/R coordinator; a revenue analyst, to replace a departing employee; and a senior VP and CFO, to replace the former CFO who was promoted to COO. The budget reflects two newly created positions; a treasury analyst, to report and reconcile capital expenditures and purse spending, and a Director of Corporate Development, to assist with long term development and business modeling.
- In anticipation of the opening of the new sports bar and simulcasting facility at Aqueduct, Food & Beverage will hire eight hostesses and one part-time Food and Beverage bookkeeper.
- NYRA Rewards will be hiring a project manager to coordinate new projects to enhance the performance of the NYRA ADW platform.