



2014

PROGRESS REPORT

Presented to the Board of Directors

December 3, 2014





2014 Progress Report

- The thoroughbred racing industry is responsible for generating 17,400 jobs and contributing more than \$2.1 billion into New York's upstate, suburban and urban economy.
- NYRA tracks are the cornerstone of the state's thoroughbred business.
- NYRA's Saratoga Meet is responsible for a \$200 million economic impact in the Capital Region.



2014 Progress Report

- Governance
- Financial Performance
- Accountability
- Equine Safety
- Quality Horseracing
- Enjoyable Horseracing
- Economic Impact and Tourism



2014 Progress Report

- **Governance**
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David J. Skorton

- President of Cornell University and a practicing cardiologist.
- As a university president, Dr. Skorton has been a national leader in governance and ethics.
- Under Dr. Skorton's direction, the New York Racing Association has employed a constant focus on governance and integrity.
- During his tenure, the New York Racing Association has implemented organizational reforms, employed best practices in governance and secured accomplished, highly-skilled managers and leaders.



Governance

With Dr. Skorton's Leadership, we have a constant commitment to improvement in several critical areas.

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Stuart Subotnick

- Chair of Finance Committee;
- Stuart Subotnick is the CEO and President of Metromedia, the Presiding Director of Carnival, and the former co-owner of the MLS soccer team, the NY/NJ Metro Stars.
- Mr. Subotnick and the Finance Committee directed management to find ways to reduce costs, and increase revenues - and to finish 2014 with an operating surplus.



Finance Committee

- Stuart Subotnick, *Chair*
- Rick Cotton
- Michael Dubb
- C. Steven Duncker
- Robert Megna
- Barry Ostrager
- Richard Violette, *ex officio*



Financial Performance

- We pursued several initiatives to reduce costs, including
 - Closing the Aqueduct training facility during non-racing months downstate;
 - Reducing legal expenses;
 - Reducing costs related to phone wagering;
 - Reducing overall labor expenses;
 - Improving efficiency throughout the entire organization



Financial Performance

- We also generated additional revenues by
 - Upgrading NYRA Rewards program to employ new technology to the benefit of the wagering public;
 - Updating prices for admission, seating and parking;
 - Obtaining market value for our simulcast signal;
 - Increasing amount of sponsorship money received;
 - Increasing content fees and group sales events



2014 Results

- Our projected expenses for 2014 are 3.8% less than in 2013.
- Our projected revenues are 5.7% greater than in 2013.
- We will end the year with an operating profit of approximately \$1.5 million.
- Our first operating profit in many years.



Financial Performance

- The 2014 operating profit was achieved despite:
 - Challenging weather throughout the Aqueduct winter and Belmont fall meets;
 - The loss of \$1.4 million from statutory out of market source fees;
 - The decline in all source handle suffered this fall throughout the entire industry.



2014 Progress Report

How our performance compares

- Wagering across U.S. tracks has decreased 3% this year; NYRA's handle is up 1%.
- Every dollar invested in purses at our tracks yielded \$13.74 in handle, well in excess of the national average of \$9.73, year to date as of 9/30/14.
- We conducted 4.7% of total industry races and generated 21.3% of national handle from those races.



Financial Performance

- Metrics reflecting improvements include:
 - Overall, the New York Racing Association's 2014 performance represents a net \$14.4 million revenue improvement over 2013.
 - In 2014, the New York Racing Association paid off its \$25 million note to Genting.
 - For the first time in many years, the organization is debt-free.



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Joseph Spinelli

- Chair of Audit and Compliance Committee
- The Re-organization Board's Audit Committee is led by Joseph Spinelli, New York State's first-ever Inspector General.
- Mr. Spinelli currently serves as the Managing Director of the Global Investigations and Compliance practice and the Global Leader of the Anti-Bribery and Corruptions practice at Navigant Consulting.



Audit and Compliance Committee

- Joseph Spinelli, *Chair*
- Stuart Subotnick
- Charles V. Wait
- Barry Ostrager



Accountability

- We retained Deloitte, one of the world's largest accounting and professional service firms, to conduct an Audit Committee business risk assessment.
- We instituted several financial, legal and legislative reviews to ensure that the errors involved with take out of exotic bets does not happen again.
- Our programs were implemented over 18 months ago - and more than a year before the current Inspector General's report.



We have greater talent & experience in leadership ranks

- Joseph Lambert, the former General Counsel for Deloitte, is our new General Counsel
- NYRA's first Chief Compliance Officer, Kevin Rogan, the former head of compliance for Siemens US Healthcare.



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Anthony Bonomo

- Chair of Equine Safety Committee
- The Board created the Equine Safety Committee, which reflects our steadfast belief in the importance and priority of equine safety.
- President and CEO of Administrators for the Professions, a successful medical malpractice insurance provider.



Equine Safety Committee

- Anthony Bonomo, *Chair*
- Chester Broman, *ex officio*
- Bobby Flay
- John Hendrickson
- Earle Mack
- Stuart Janney
- Richard Violette, *ex officio*



Equine Safety

- Under the leadership of Mr. Bonomo and the Equine Safety Committee, we have
 - created the Horse Watch Detail, a specially trained segment of our security force.
 - hired our organization's first safety steward, and only the second safety steward in the country - Hugh Gallagher.
 - created the Equine Safety Review Board.



Equine Safety

- Supported the Gaming Commission's efforts to adopt the model rules establishing threshold limits for 24 specific medications;
- Support the Gaming Commission's efforts to adopt model rules regarding penalties for multiple offenders; and
- Work with the State's Equine Medical Director to make more rigorous the out of competition testing for our equine athletes.



Equine Safety

- The CRI at our tracks has declined significantly, and is now well below the national average.

YEAR	NATIONAL AVERAGE	NYRA
2012	1.92	2.1
2013	1.90	1.3
2014	unavailable	1.0*

** 1/1/14 through 10/26/14*



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Quality Horseracing

- Consistent with Governor Cuomo's directive to make racing more enjoyable, we are devoting our efforts towards
 - Better daily racing
 - Bigger "must-see" events
 - Enhancing the guest experience



Quality Horseracing

- Better Daily Racing
 - Working with the New York Breeders, the program is growing
 - Initiated Saratoga Showcase Day
 - Increased purses in NYRA's New York bred races



Barry Ostrager

- Senior Partner, Simpson Thacher & Barlett LLP
- President, New York Thoroughbred Breeders, Inc.
- Audit & Compliance Committee member, Finance Committee member, Nominations & Governance Committee member, Racing Committee member & Long Term Planning Committee member



Leonard Riggio

- Chairman, Barnes & Noble, Inc.
- Racing Committee Chair



Racing Committee

- Leonard Riggio, *Chair*
- C. Steven Duncker
- Bobby Flay
- Barry Ostrager
- Joseph Spinelli
- Stuart Subotnick
- Richard Violette, *ex officio*



We created “must see” big event days for all of fans and horseplayers across the country.

Belmont Stakes Day

- Became the second largest day in racing in America, with \$8 million in purses.
- We were sold out the day before the Preakness was run.
- We drew a crowd of over 100,000 people, and a record television audience. We also generated \$151.1 million in all source handle; \$40 million higher than the previous record.



Stars & Stripes Festival

- We launched in July, with 9 international competitors participating against many of America's best horses.
- This race was viewed as one of the highest rated 3 year old turf races in the world.
- Despite bad weather on July 4, the weekend's handle was 18% higher than the year before.



Saratoga

- We increased the purse for the Whitney, in an effort to persuade more owners to run their horses after they turn four years old, and to persuade horsemen from all over the country to run in that great race.
- For the Travers, we added festivities associated with the Travers weekend, including the Saratoga Red Jacket ceremony and the revival of the Travers Celebration.



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Enjoyable Horseracing

Major steps have been taken to improve the experience for fans and horseplayers at all three New York Racing Association properties.

Aqueduct

- \$14 million invested in capital improvements;
- The construction of *Longshots*, state of the art sports bar and simulcast facility;
- 557 new HD televisions;
- Modern, airport style seating;
- Urban art



Belmont

- Installed three massive new HD video walls;
- 655 new HD televisions;
- Expanded Top of the Stretch picnic area;
- Makeover of Belmont Café;
- Backyard music stage.



Saratoga

- 750 new HD televisions installed across the property;
- 200 new picnic tables throughout backyard;
- Enhanced Wi-Fi and new sound system;
- Hi-tech Trakus system allows fans to easily track their horses;
- Expanded Saratoga Pavilion that supports the growth of the highly successful *Taste New York* program.



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Charles Wait

- Charles Wait serves as a member of the Board's Executive Committee and is the Chairman of the Adirondack Trust Company, the largest and oldest bank in Saratoga Springs, New York.
- No one understands the importance of business to a community better than a banker, and few can better appreciate the importance of the Saratoga meet to the New York Racing Association than Mr. Wait.



Economic Impact and Tourism

- An independent study conducted in 2011 found that operation of the Saratoga Race Course is responsible an annual economic impact of more than \$200 million.
- Occupancy tax receipts within Saratoga County have increased by 126 percent since the start of the millennium during the summer months.
- In 2015, 400 new hotel rooms will be available to tourists, generating even more revenue and jobs for the area's restaurants, entertainment venues, retail establishments and other businesses. By 2017, a total of 750 new hotel rooms are expected to come online.



Re-organization Board of Directors

Robert Megna

- Director, New York State Budget
- Finance Committee & Long Term Planning committee member



Re-organization Board of Directors

Rick Cotton

- Former Executive Vice President and General Counsel, NBC Universal
- Compensation Committee member, Finance Committee member & Long Term Planning Committee member



Re-organization Board of Directors

Michael Del Giudice

- Chairman, Rockland Capital Energy Investments, LLC
- Nominations & Governance Committee Chair, Executive Committee member & Long Term Planning Committee member



Re-organization Board of Directors

Michael Dubb

- Principal and Founder, Beechwood Organization
- Long Term Planning Committee Co-Chair, Executive Committee member & Finance Committee member



Re-organization Board of Directors

C. Steven Duncker

- Former Partner of Goldman Sachs
- Finance Committee member & Racing Committee member



Re-organization Board of Directors

Robert Flay

- Chef and Thoroughbred Owner
- Long Term Planning Committee Co-Chair, Equine Safety Committee member, Nominations & Governance Committee member, Public Hearings & Communications Committee member & Racing Committee member



Re-organization Board of Directors

Marc Holliday

- Chief Executive Officer, SL Green
- Long Term Planning Committee member



Re-organization Board of Directors

Stuart S. Janney, III

- Chairman, Bessemer Trust Company
- Compensation Committee member & Equine Safety Committee member



Re-organization Board of Directors

Earle Mack

- Senior Partner, Mack Company
- Compensation Committee member & Equine Safety Committee member



Re-organization Board of Directors

Vincent Tese

- Executive Chairman, Bond Street Holdings, LLC
- Compensation Committee Chair & Executive Committee member



Re-organization Board of Directors

John Hendrickson, *Special Advisor*

- Breeding and Racing Manager, Mary Lou Whitney Stables
- Equine Safety Committee member & Public Hearings & Communications Committee member



Re-organization Board of Directors

Michael Kotlikoff, *Special Advisor*

- Dean, College of Veterinary Medicine at Cornell



Re-organization Board of Directors

Chester Broman

- Owner, Chestertown Farm
- Equine Safety Committee member



Re-organization Board of Directors

Richard Violette, Jr., *Ex-officio member*

- President, New York Thoroughbred Horsemen's Association
- Equine Safety Committee member, Finance Committee member, Racing Committee member & Long Term Planning Committee member



2014 Progress Report

In 2012, Governor Cuomo and legislative leaders set out to create a re-organization board which would:

- **Transform governance and integrity;**
- **Preserve and then expand the amount of our considerable economic impact and jobs in New York State;**
- **Obtain better financial performance and daily operation of the business;**
- **Require greater accountability in every aspect of our business;**
- **Improve equine safety and the quality of racing;**
- **Make the racing experience more enjoyable for fans and horseplayers;**
- **Generate even more tourism—and tourism oriented revenues.**

Working together, we are committed to fulfilling Governor Cuomo's vision of a reformed, revitalized and financially sustainable thoroughbred racing leader.



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