

**Report of the CEO and President
Christopher K. Kay
Remarks**

Good morning to all of you.

A Record of Progress and Success

We are just over three years into the implementation of this professional, highly accomplished Board of Directors and approximately two and a half years since we implemented a new executive management team.

And within this time, it's fair to assess how far we have come within a very short period of time.

We have turned a page from bankruptcy to one featuring financial stability, budget surpluses and clean audits from KPMG, reflective of the trust we have worked so hard to secure amongst our horseplayers, fans and stakeholders.

We have turned a page from on-track facilities and backstretch areas that were in need of repair, to one encompassing an effective capital investment program, which is resulting in modernized facilities and improved conditions for the backstretch workers.

And we have turned a page from rising on-track catastrophic injury rates and an inefficient, long-term racing strategy to one reflecting safer, more enjoyable racing. This has reduced the rate of catastrophic injuries to one below the national average, while implementing a new, highly effective "big event" racing strategy that has grown handle, paid attendance and increased interest in our great sport.

These changes would not have been possible without the leadership of Governor Andrew Cuomo, who led the effort to reform NYRA and transform the management and operation of horse racing in New York.

That transformation starts with:

Board Leadership

When I first entered this role in July, 2013, we identified three specific priorities:

1. Restore NYRA to operating profitability, and thereby renew trust in our organization.
2. Improve the quality of our racing
3. Enhance the sporting and wagering experience for all our fans and horseplayers.

Three years later, we are achieving these goals – thanks to the efforts of our new board and management team.

1. Returning NYRA to profitability was a task made easier due to the leadership of our Finance Committee, under the chairmanship of Stuart Subotnick.

As a result of institutional reforms and operational changes, 2014 saw NYRA registering our first operating budget surplus in 13 years; a \$14 million-plus turnaround in one year.

Additionally in 2014, we paid off our \$25 million loan to Genting, making NYRA debt -free for the first time in years.

One year later, we concluded 2015 with a second consecutive operating budget surplus of \$3.5 million, reflecting the first back-to-back operating profits achieved in 15 years. Jelena Alonso, our Controller will provide more details in her report on the 2015 financial performance.

Future budget projections for 2016 continue this trend of modest operating budget surpluses, due in part to the development of new revenue streams.

Restoring the trust that our organization lost in past years was another important task.

Under the leadership of Joseph Spinelli, the leader of our Governance Committee, we have built a more effective governance structure – a critical component of our success.

We instituted several financial and legal processes, as well as periodic legislative reviews to insure that the kind of errors made with respect to the takeout of exotic bets does not happen again.

We also changed from a local auditor to KPMG, one of the Big Four auditing firms. Over the last several years, NYRA's audits have been rated "clean" – in the view of KPMG, our financial statements present fairly, in all material respects, the financial position of NYRA.

2. Our second goal was to improve the quality and safety of our racing. Under the leadership of several of our board members, including Len Riggio and Marc Holliday, we are also meeting this important goal.

We have worked diligently to improve equine safety throughout every component of our operations. We hired our first Safety Steward, Hugh Gallagher, who leads NYRA's equine safety program, which includes random inspections of trainers' barns and veterinarians' vehicles for unauthorized substances. As a result, we became the only organization of its kind in the country that provides 24/7 horse and fire security coverage.

We have invested time to help teach our jockeys to race more safely. We invested money to make the tracks safer. And we instituted new rules for winter racing.

Further, we supported the Gaming Commission's successful efforts to adopt model rules establishing thresholds limits for initially 24 specific medications, now 26, and supported the Gaming Commission's efforts to adopt the model rules regarding penalties for multiple offenders. Our efforts are generating the desired results.

In 2012, the catastrophic injury rate was 2.2 injuries per 1,000 starts; a rate well above the national average.

Three years later, not only have our figures dropped below the national average, but we have actually cut this rate in half - ending 2015 with a CRI of 1.09. This is the lowest figure in many years.

Another aspect of improving the racing at NYRA is the improved working relationship with the New York Breeders. Since 2012, the year the board started, significantly more purse money has been put into NY bred races – an increase of 74%. We believe this increase in purses has resulted in more horsemen moving their operations and/or expanding their operations in New York. Working together, the foal crop has risen, which means more jobs and more economic impact in the New York agriculture sector – which benefits all New Yorkers. We are pleased to have Jeff Cannizzo, as the new board member for the New York Breeders, here today to give a presentation on the progress his organization has achieved over the last several years. Working together, horseracing is stronger in New York.

3. We've focused on improving the experience for our fans and horseplayers. We have also adopted a "big event" strategy with a focus on not only continuing to keep every day at Saratoga as a special, must-see racing day, but also building bigger days for racing at Aqueduct and Belmont.

At the Big A, we launched a new claiming championship series in 2015, which featured 10 starter races worth more than \$700,000 in purses. Further, Wood Memorial Day has also become a “must-see” event at Aqueduct, with New York’s final Kentucky Derby prep race paired with four other stakes races on April 9, 2016. We are up 19% for average daily handle; equine catastrophic injuries are down.

And at beautiful Belmont Park, we transformed Belmont Stakes Day into a three day mega-event, the Belmont Stakes Racing Festival. In 2015, this became the most successful event in New York’s long-storied history of thoroughbred horse racing.

Generating more than \$165 million in total wagering and attracting 100,749 fans throughout a three-day period, the festival was highlighted by American Pharoah’s entrance into sporting immortality as the first “Triple Crown” champion in 37 years.

I am pleased to report that ticket sales for this year’s festival are currently running well ahead of last year’s pace. In the first week alone, we saw revenue from reserved seats sales increase by 95 percent. To date, more than 55 percent of our total reserved seating and hospitality inventory is already sold out. The 2016 Belmont Stakes Racing Festival commences on June 9 and runs through June 11.

We also had a record meet at Saratoga in 2015, with more than \$654 million wagered on our 40 days of world class racing. We registered our largest on-track wagering year in history, at \$157,647,599. And our off-track wagering rose 17% to \$497 million, demonstrating that racing fans respect and appreciate the quality of our racing.

All of this success would not be possible without the work of a lot of people behind the scenes. Our security department is one of our largest departments. Today, I am very pleased to introduce Bobby Sica, our new VP of Security.

Prior to joining NYRA, Bobby was a 31-year veteran of the U.S. Secret Service, having served since May 2014 as the Special Agent in Charge of the New York Field Office. Throughout his career, he served in several positions of increasing responsibility within the Secret Service where he helped to create, develop and integrate national preparedness and response policies and practices related to critical infrastructure protection, counter terrorism and crisis management.

Last fall and in his capacity as an international expert in security operational planning, Bobby served as the chief law enforcement officer for two of the largest National Special Security Events in the history of the U.S. Secret Service—the visit of Pope Francis to New York City and the 70th Anniversary of the United Nations General Assembly.

Bobby brings a lifelong love and deep knowledge of thoroughbred racing to his duties at NYRA. He grew up in Floral Park, and as a teenager, he worked as a hot walker and groom at Belmont Park for several trainers. Bobby, I’m pleased to officially welcome you home to the New York Racing Association.

Finally, we are also working to chart a new course which will lead to future growth and success. This effort would not have been possible without the leadership, guidance and support of our Executive Committee Chairman Michael Del Giudice, who has played an important role in the development of our long-range strategic plan, and an important role in our efforts to receive governmental support for our re-organization plan.

Our efforts have been comprehensive and thorough, and I want to specifically thank each of you for your input, guidance and support.

As Mr. Del Giudice indicated in his remarks, we will convene again in April to approve a plan that will include four parts:

- A summary of our reorganization efforts to date.
- Our proposed future legal and governance structures.
- A series of proposed legislative and/or regulatory changes bring longer term stability to NYRA and the thoroughbred horse racing industry in New York State.
- A business plan encompassing our 2014 and 2015 results, our 2016 budget, and our 2017 financial plan.

Additionally, I'd like to recognize and thank the officials and stakeholders who have voiced confidence in our organizational transformation over the past three years, as well as for their support for returning NYRA to private control as a not-for-profit organization.

We have achieved a great deal over the course of the past three years, and working together, I know that the progress and success we have achieved to date will be the basis for the long-term growth and success of the New York Racing Association.

This concludes my report. Thank you.

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