



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

**Board of Directors Meeting**

*April 22, 2015*

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

Wednesday, April 22, 2015  
3:00 p.m.

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

Wednesday April 22, 2015  
3:00 p.m.

**AGENDA**

1. Confirmation of Chairman and Vice Chairman of the Board of Directors
2. Opening Remarks by Chairman
3. Approval of December 3, 2014 Minutes (Resolution)
4. Report of the CEO and President
5. Report of the CFO
  - a. 2014 Year End Results
  - b. Q1 2015 Results
6. Committee Reports
  - a. Finance Committee
  - b. Audit and Compliance Committee
  - c. Nominations and Governance Committee
  - d. Racing Committee
  - e. Compensation Committee
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 December 3, 2014 at 10:00 a.m.

A regular meeting of the Board of Directors (the “Board”) of The New York Racing Association, Inc. (“NYRA”) was conducted on December 3, 2014 at 10:00 a.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  
Charles V. Wait

Chester Broman, *ex officio*  
Richard Violette, *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  
Stuart Subotnick  
Vincent Tese

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; Lynn LaRocca, Senior Vice President and Chief Experience Officer; David O'Rourke, Vice President and Chief Revenue Officer; Glen Kozak, Vice President of Facilities and Racing Surfaces 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 November 12, 2014 Minutes.**

A motion to approve the minutes of the November 12, 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 addressed the Board, reporting that this meeting would be his last meeting as Chair of the NYRA Board. Dr. Skorton thanked Governor Andrew Cuomo for the privilege of serving as Chairman of the Board. Dr. Skorton also thanked the NYRA Board, Chris Kay and NYRA management and staff, Dr. Kotlikoff and all the other advisors to the Board, Dr. Skorton's Ithaca staff especially Jane Miller and Charles Kruzansky and members of the public and press.

### **Report of the CEO and President.**

Mr. Kay reported on NYRA's continued efforts to enhance the guest experience such as improvements made to the Aqueduct facility to include the installation and opening of Longshots, installation of new video boards and high definition televisions, new paint scheme, modern art and installation of new airport style seating. Mr. Kay also discussed continued efforts to improve the quality of racing such as the installation of new warning systems, installation of new stalls for international horses and the successful Cigar Mile. Lastly, Mr. Kay briefly discussed the third quarter 2014 financial results.

### **Report of the CFO.**

Ms. Stover provided a financial update, reporting on the third quarter 2014 unaudited financial results and the 2014 full year forecast. Ms. Stover also presented in detail the proposed 2015 Operating and Capital budget.

## **Committee Reports.**

### **a. Audit & Compliance Committee**

Mr. Spinelli gave the report of the Audit and Compliance Committee. The Committee met to discuss the third quarter 2014 unaudited financial results, Internal Audit updates, review of third quarter 2014 procurement activities, the 2014 NYRA Risk Assessment plan, legal updates and the officers travel and expense report for the third quarter of 2014.

### **b. Compensation Committee**

Mr. Lambert gave the report of the Compensation Committee on behalf of Mr. Tese. The Committee met to discuss and approve the proposal to raise non-union, administrative staff salaries in 2015 as proposed in the 2015 Operating and Capital budget. Also discussed were matters related to union and non-union compensation and their comparison to current market trends.

### **c. Finance Committee**

Ms. Stover gave the report of the Finance Committee on behalf of Mr. Subotnick. The Committee met to discuss the third quarter 2014 unaudited financial results, the 2014 full year forecast and approve the 2015 Operating and Capital budget. A motion to approve NYRA's 2015 Operating and Capital budget was made by Mr. Spinelli and seconded by Mr. Ostrager. A copy of the resolution is attached hereto as *Exhibit 2*. The resolution was carried without dissent or abstentions. The Committee also reviewed the procurement activities for the third quarter of 2014.

### **d. Nominations & Governance Committee**

Mr. Del Giudice gave the report of the Nominations and Governance Committee. The Committee met to discuss follow-up governance discussion items from the November 12, 2014 Board meeting and approve the Board and Committee self-evaluation forms.

### **e. Racing Committee**

Mr. Riggio gave the report of the Racing Committee. The Committee met to discuss and approve the racing days for the 2015 calendar year and the stakes schedule up to the Saratoga 2015 meet.



**Report of the CEO and President (continued).**

Mr. Kay continued his report to the Board by presenting a 2014 full year progress report. Mr. Kay discussed NYRA's commitment to improvements in the following critical areas: governance, financial performance, accountability, equine safety, quality of horseracing, enjoyable horseracing and economic impact and tourism for the State of New York.

**Dates for 2015 Board of Directors Meetings.**

Mr. Kay discussed the proposed schedule of 2015 Board meetings. A motion to approve the schedule of 2015 Board meetings was made by Mr. Del Giudice and seconded by Mr. Spinelli. The resolution was carried without dissent. A copy of the resolution is attached hereto as *Exhibit 3*.

**Adjournment.**

Dr. Skorton called for additional business. There being no further business to come before the Board, the meeting was concluded at 11:50 a.m.

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Joseph J. Lambert

**Exhibit 1**

**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.

**Exhibit 2**

**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.

**Exhibit 3**

**DATES FOR 2015 BOARD OF DIRECTORS MEETINGS RESOLUTION**

IT IS HEREBY RESOLVED, that the NYRA Board of Directors, having had full opportunity to inquire, consider, and understand, does hereby approve the dates for the 2015 Board of Directors Meetings.



**DECEMBER 3, 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 December 3, 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.**

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

**For the Twelve Months Ended December 31, 2014  
Compared to Budget and the Twelve Months Ended  
December 31, 2013**



# Proforma, Non-GAAP Income Statement

## Twelve Months Ended December 31, 2014 Compared to Budget and Prior Year

(in thousands)	For the Twelve Months Ending December 31st				Change			
	2014	Budget	\$	%	2013	\$	%	
<b>HANDLE &amp; ATTENDANCE</b>								
Race Days	245	243	2	0.8%	239	6	2.5%	
Attendance (Live Track)	1,732,253	1,690,746	41,507	2.5%	1,657,661	74,592	4.5%	
Total Handle (in thousands)	\$2,477,916	\$2,517,488	(\$39,572)	-1.6%	\$2,495,582	(\$17,666)	-0.7%	
<b>RACING RELATED REVENUE</b>								
On-Track	\$116,882	\$121,262	(\$4,380)	(3.6%)	\$117,463	(\$580)	(0.5%)	
Export revenue	106,480	103,984	2,496	2.4%	102,679	3,801	3.7%	
New York OTB	26,078	27,130	(1,052)	(3.9%)	24,330	1,749	7.2%	
<b>Gross pari-mutuel revenue</b>	<b>249,441</b>	<b>252,375</b>	<b>(2,935)</b>	<b>(1.2%)</b>	<b>244,472</b>	<b>4,969</b>	<b>2.0%</b>	
<b>Less: Statutory and other</b>								
Rewards Rebate	4,562	3,800	762	20.1%	3,498	1,063	30.4%	
Stakes and Purses	106,127	107,337	(1,211)	(1.1%)	104,046	2,081	2.0%	
Other Statutory payments	16,762	17,125	(364)	(2.1%)	16,656	106	0.6%	
<b>Total Statutory and other</b>	<b>127,450</b>	<b>128,262</b>	<b>(812)</b>	<b>(0.6%)</b>	<b>124,200</b>	<b>3,249</b>	<b>2.6%</b>	
<b>Net wagering revenue</b>	<b>121,991</b>	<b>124,113</b>	<b>(2,122)</b>	<b>(1.7%)</b>	<b>120,271</b>	<b>1,719</b>	<b>1.4%</b>	
Other revenue	15,437	16,062	(625)	(3.9%)	12,771	2,666	20.9%	
On track racing related revenue, net	17,213	15,255	1,958	12.8%	13,071	4,142	31.7%	
<b>Net Revenue from Racing Operations</b>	<b>154,640</b>	<b>155,429</b>	<b>(789)</b>	<b>(0.5%)</b>	<b>146,113</b>	<b>8,527</b>	<b>5.8%</b>	
<b>OPERATING EXPENSES</b>								
Labor Expense	85,806	85,914	(108)	(0.1%)	85,456	350	0.4%	
Operating Supplies	2,901	2,862	39	1.4%	3,075	(173)	(5.6%)	
Utilities	6,941	6,978	(37)	(0.5%)	7,022	(81)	(1.2%)	
Temporary Help and Outside Services	11,180	12,380	(1,200)	(9.7%)	11,802	(623)	(5.3%)	
Cable contract/Video Streaming	2,695	2,585	111	4.3%	2,820	(124)	(4.4%)	
Telephone & Communications	6,321	6,618	(297)	(4.5%)	6,597	(276)	(4.2%)	
Professional fees:								
Legal	1,374	1,570	(196)	(12.5%)	3,263	(1,889)	(57.9%)	
Consulting	2,981	3,484	(503)	(14.4%)	3,747	(766)	(20.4%)	
TOTE Expense	2,107	2,375	(268)	(11.3%)	2,537	(430)	(16.9%)	
Rentals & Leases	2,832	2,625	208	7.9%	2,524	308	12.2%	
Repairs & Maintenance	7,942	6,695	1,246	18.6%	7,421	521	7.0%	
Insurance	8,010	8,014	(3)	(0.0%)	8,125	(114)	(1.4%)	
Marketing & Advertising	3,397	4,049	(652)	(16.1%)	4,397	(1,000)	(22.7%)	
Other expenses	8,475	9,032	(556)	(6.2%)	10,252	(1,776)	(17.3%)	
<b>Total Operating Expenses</b>	<b>152,963</b>	<b>155,179</b>	<b>(2,216)</b>	<b>(1.4%)</b>	<b>159,037</b>	<b>(6,074)</b>	<b>(3.8%)</b>	
<b>Operating Income/ (Loss) from Racing</b>	<b>1,677</b>	<b>250</b>	<b>1,427</b>	<b>570.9%</b>	<b>(12,923)</b>	<b>14,601</b>	<b>(113.0%)</b>	
Plus: Net VLT Revenue (net of Purses)*	56,559	54,755	1,805	3.3%	54,959	1,600	2.9%	
<b>Total Operating Income/ (Loss)</b>	<b>58,237</b>	<b>55,005</b>	<b>3,232</b>	<b>5.9%</b>	<b>42,036</b>	<b>16,201</b>	<b>38.5%</b>	
Less: Non-Operating Expenses	28,354	30,295	(1,940)	(6.4%)	(2,119)	30,473	(1438.2%)	
<b>NET INCOME/ (LOSS)</b>	<b>\$29,882</b>	<b>\$24,710</b>	<b>\$5,172</b>	<b>20.9%</b>	<b>\$44,155</b>	<b>(\$14,272)</b>	<b>(32.3%)</b>	

\*YTD Gross VLT Revenue totaled \$116.6 million for 2014, compared to \$112.9 million budgeted and \$110.2 million for 2013.

\*YTD VLT Purses (not included in Net VLT Revenue) totaled \$59.3 million for 2014, compared to \$58.1 million budgeted and \$55.2 million for 2013.

\*YTD VLT Funded Jockey Health Insurance (not included in Net VLT Revenue) totaled \$683,000 for 2014.

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

## **EXECUTIVE SUMMARY**

For the year ended December 31, 2014, NYRA earned operating income from racing operations of \$1.7 million before VLT funds, \$1.4 million favorable to budget, and \$14.6 million higher than the prior year operating loss from racing operations of \$12.9 million. The favorable results from budget were due to lower than anticipated operating expenses offset by lower net wagering revenues. The favorable results compared to prior year were due to higher net wagering revenue and lower operating expenses.

NYRA earned \$154.6 million of net revenue from racing operations, \$789K (0.5%) less than budgeted and \$8.5 million (5.8%) higher than the prior year. The unfavorable revenue compared to budget was due to lower than expected net wagering revenue and other revenues offset by higher on-track racing related revenue. The increase in net revenue from the prior year was due to Belmont Stakes Day, a \$3.0 million one-time settlement credit extended to the NYS OTB's in 2013, strategic price increases and miscellaneous increases in other revenue sources.

Operating expenses of \$153.0 million were \$2.2 million (1.4%) favorable to budget primarily due to lower than expected temporary help and outside services (new TV broadcast contract in Saratoga), professional fees (reduced integrity counsel fees and audit fees), marketing and advertising expense (due to less need from Belmont Stakes Day exposure), other expenses (sales tax, bad debt expense and charitable donations), telephone & communications expense (delay in implementation of GBE), tote expense (change in provider) and labor expense (primarily due to open positions offset by severance), partially offset by higher than expected repairs & maintenance and rentals & leases (related to the enhanced Belmont Stakes Day).

Operating expenses were \$6.1 million (3.8%) lower than last year primarily due to decreases in legal fees, other expenses (favorable sales tax audit and lower bad debt expense, charitable donations and bank charges), marketing and advertising expense (national exposure for Belmont Stakes Day), consulting expense (lower audit fees), and temporary help & outside services (new TV broadcast contract and a new cleaning vendor in Saratoga partially offset by costs associated with an enhanced Belmont Stakes Day).

NYRA earned \$116.6 million in VLT revenue of which \$60.0 million was available for stakes and purses, \$32.3 million for capital expenditures and \$24.2 million for operations. Gross VLT revenue increased \$3.7 million over budget due to a \$12 or 2.8% increase in win per machine (WPM) at Resorts World. Gross VLT revenue increased \$6.4 million over prior year due to a 0.5% increase in purse funding as well the increase in WPM.

Non-operating expenses were \$28.4 million, \$1.9 million favorable to budget primarily due to lower than anticipated pension and retiree benefit expenses offset by higher income tax expense. Non-operating expenses increased \$30.5 million compared to the prior year due to an income tax benefit in 2013 resulting from the release of a deferred tax asset valuation allowance of \$25 million as opposed to tax expense in 2014, partially offset by lower pension and OPEB expenses.



Net income for the year was \$29.9 million, \$5.2 million higher than budgeted due to favorable reductions in operating and non-operating expenses. Net income was \$14.2 million lower than the prior year due to the income tax benefit in the prior year offset by higher operating income from racing operations.

### **Capital Projects**

During the year, NYRA spent \$25.5 million on capital improvements including \$9.0 million on capital projects budgeted in the prior year. Major expenditures included guest area improvements at all three tracks, including new video boards at both Aqueduct and Saratoga, and television and restroom upgrades at all three locations. Backstretch improvements included the construction of a new barn, expansion of existing barns and new barn roofs at Belmont, as well as dorm renovations and installation of security cameras at all three tracks. Other spending included costs related to hardware and software for the enhanced internet platform, Saratoga Trakus, irrigation for Saratoga turf courses, CAFO related upgrades at Belmont, master planning at Saratoga and fleet equipment.

### **\$25 Million Genting Loan**

The loan with Genting LLC was repaid in full on April 4, 2014.

### **Industry Update**

Based on information provided by Equibase (compared to prior year), for the year ended December 31, 2014, wagering on U.S. races decreased 2.8% compared to a 1.1% decrease in wagering on NYRA races. NYRA contributed 4.9% of total industry race days, offered 14.7% of purses and generated 20.3% of thoroughbred handle across the United States. Every dollar invested in purses at NYRA during the year ended December 31, 2014 yielded \$13.18 in handle compared to \$9.49 industry-wide.

**HANDLE STATISTICS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014 COMPARED TO  
BUDGET AND PRIOR YEAR**

	For the Twelve Months Ending December 31st		Change		2013	Change	
	2014	BUDGET	\$	%		\$	%
	<b>RACING DAYS</b>	245	243	2		0.8%	239
<b>ATTENDANCE - Live Race Days, Live Track</b>	1,732,253	1,690,746	41,507	2.5%	1,657,661	74,592	4.5%
<b>ATTENDANCE - Live Race Days, Non-Live Track</b>	394,928	398,803	-3,875	-1.0%	389,731	5,197	1.3%
<b>DAILY AVERAGE ATTENDANCE at Live Track</b>	7,070	6,958	113	1.6%	6,936	135	1.9%
<b>PER-CAPITA BET ON LIVE DAYS AT LIVE TRACK</b>	\$193	\$204	(\$11)	-5.4%	\$201	(\$8)	-4.0%
<b>ON-TRACK HANDLE COMPONENTS</b>							
<b>ADW (PHONE, INTERNET &amp; ON-TRACK)</b>	283,314,417	270,773,241	\$12,541,176	4.6%	258,934,233	\$24,380,184	9.4%
<b>SARATOGA</b>	99,186,905	101,612,790	-2,425,885	-2.4%	100,905,934	-1,719,028	-1.7%
<b>BELMONT</b>	110,042,264	122,082,101	-12,039,837	-9.9%	120,347,812	-10,305,548	-8.6%
<b>AQUEDUCT</b>	181,781,044	193,708,227	-11,927,183	-6.2%	184,023,518	-2,242,474	-1.2%
<b>TOTAL NYRA ON-TRACK HANDLE</b>	\$674,324,630	\$688,176,359	-\$13,851,729	-2.0%	\$664,211,496	\$10,113,133	1.5%
<b>DAILY AVERAGE ON-TRACK HANDLE</b>	\$2,752,345	\$2,832,001	-\$79,656	-2.8%	\$2,779,128	-\$26,782	-1.0%
<b>OFF-TRACK HANDLE (EXPORT)</b>							
<b>NYOTB DOWNSTATE</b>	\$119,272,698	\$119,307,345	-\$34,647	0.0%	\$127,116,593	-\$7,843,895	-6.2%
<b>NYOTB UPSTATE</b>	72,450,725	72,098,279	352,446	0.5%	71,714,708	736,018	1.0%
<b>NY INTER-TRACK WAGERING</b>	44,058,451	51,237,729	-7,179,279	-14.0%	44,717,074	-658,623	-1.5%
<b>OUT-OF-STATE</b>	1,536,726,423	1,565,678,311	-28,951,888	-1.8%	1,559,435,851	-22,709,428	-1.5%
<b>INTERNATIONAL SEPARATE POOL</b>	31,083,352	20,989,775	10,093,577	48.1%	28,386,536	2,696,816	9.5%
<b>TOTAL OFF-TRACK (EXPORT)</b>	\$1,803,591,649	\$1,829,311,440	-\$25,719,791	-1.4%	\$1,831,370,761	-\$27,779,112	-1.5%
<b>DAILY AVERAGE OFF-TRACK HANDLE</b>	\$7,361,599	\$7,528,031	-\$166,432	-2.2%	\$7,662,639	-\$301,041	-3.9%
<b>TOTAL HANDLE</b>	\$2,477,916,279	\$2,517,487,799	-\$39,571,520	-1.6%	\$2,495,582,258	-\$17,665,979	-0.7%
<b>DAILY AVERAGE TOTAL HANDLE</b>	\$10,113,944	\$10,360,032	-\$246,088	-2.4%	\$10,441,767	-\$327,823	-3.1%

There were 245 race days, two more race days than budgeted and six more race days than in 2013. There were seven weather related cancellations compared to eight cancelled days in 2013.

NYRA generated \$2.48 billion in total handle, 1.6%, unfavorable to budget, and 0.7% lower than 2013 handle, attributable to decreased export handle related to extending the Aqueduct Winter meet through the end of April, unfavorable weather conditions during the first two months of 2014, reduced field sizes particularly during April and May and the industry wide handle decrease in the third and fourth quarters of 2014, partially offset by the increase in handle on Belmont Stakes Day.

NYRA had an average field size of 7.6 compared to 7.8 last year, attributable to decreases in the average field sizes of claiming and allowance races.



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

## **Financial Condition and Unaudited Results of Operations For the Three Months Ended March 31, 2015 Compared to Budget and the Three Months Ended March 31, 2014**



## Proforma, Unaudited, Non-GAAP Income Statement for the Three Months Ended March 31, 2015 Compared to Budget and Prior Year

(in thousands)	For the Three Months Ending March 31st		Change		2014	Change	
	2015	Budget	\$	%		\$	%
<b>HANDLE &amp; ATTENDANCE</b>							
Race Days	41	48	(7)	-14.6%	54	(13)	-24.1%
Attendance (Live Track)	121,226	157,480	(36,254)	-23.0%	177,689	(56,463)	-31.8%
Total Handle (in thousands)	\$322,565	\$365,264	(\$42,699)	-11.7%	\$412,344	(\$89,779)	-21.8%
<b>RACING RELATED REVENUE</b>							
On-Track	\$17,676	\$18,523	(\$847)	(4.6%)	\$20,367	(\$2,691)	(13.2%)
Export revenue	12,548	14,946	(2,397)	(16.0%)	16,772	(4,224)	(25.2%)
New York OTB	5,224	4,858	366	7.5%	6,091	(867)	(14.2%)
<b>Gross pari-mutuel revenue</b>	<b>35,448</b>	<b>38,326</b>	<b>(2,879)</b>	<b>(7.5%)</b>	<b>43,230</b>	<b>(7,783)</b>	<b>(18.0%)</b>
<b>Less: Statutory and other</b>							
Rewards Rebate	543	731	(188)	(25.7%)	723	(180)	(24.9%)
Stakes and Purses	15,257	16,988	(1,731)	(10.2%)	18,878	(3,621)	(19.2%)
Other Statutory payments	2,375	2,573	(198)	(7.7%)	2,798	(423)	(15.1%)
<b>Total Statutory and other</b>	<b>18,174</b>	<b>20,291</b>	<b>(2,117)</b>	<b>(10.4%)</b>	<b>22,398</b>	<b>(4,224)</b>	<b>(18.9%)</b>
<b>Net wagering revenue</b>	<b>17,273</b>	<b>18,035</b>	<b>(762)</b>	<b>(4.2%)</b>	<b>20,832</b>	<b>(3,559)</b>	<b>(17.1%)</b>
Other revenue	1,758	1,595	163	10.2%	1,348	409	30.4%
On track racing related revenue, net	460	528	(69)	(13.0%)	311	149	47.8%
<b>Net Revenue from Racing Operations</b>	<b>19,491</b>	<b>20,158</b>	<b>(667)</b>	<b>(3.3%)</b>	<b>22,492</b>	<b>(3,001)</b>	<b>(13.3%)</b>
<b>OPERATING EXPENSES</b>							
Labor Expense	18,842	19,773	(931)	(4.7%)	19,205	(363)	(1.9%)
Operating Supplies	463	590	(127)	(21.6%)	629	(166)	(26.4%)
Utilities	2,084	2,011	73	3.6%	2,175	(91)	(4.2%)
Temporary Help and Outside Services	1,049	1,076	(28)	(2.6%)	1,182	(134)	(11.3%)
Cable contract/Video Streaming	125	125	0	0.0%	646	(521)	(80.7%)
Telephone & Communications	1,539	1,600	(60)	(3.8%)	1,402	138	9.8%
Professional fees:							
Legal	418	418	0	0.0%	392	25	6.4%
Consulting	544	638	(94)	(14.8%)	1,262	(718)	(56.9%)
TOTE Expense	522	524	(2)	(0.4%)	526	(3)	(0.6%)
Rentals & Leases	369	316	53	16.7%	389	(21)	(5.3%)
Repairs & Maintenance	1,475	1,349	126	9.3%	1,550	(75)	(4.9%)
Insurance	1,959	2,026	(66)	(3.3%)	1,882	77	4.1%
Marketing & Advertising	254	310	(56)	(18.0%)	296	(42)	(14.2%)
Other expenses	1,037	1,077	(40)	(3.7%)	1,169	(132)	(11.3%)
<b>Total Operating Expenses</b>	<b>30,680</b>	<b>31,832</b>	<b>(1,152)</b>	<b>(3.6%)</b>	<b>32,706</b>	<b>(2,026)</b>	<b>(6.2%)</b>
<b>Operating Income/(Loss) from Racing</b>	<b>(11,189)</b>	<b>(11,674)</b>	<b>485</b>	<b>(4.2%)</b>	<b>(10,214)</b>	<b>(975)</b>	<b>9.6%</b>
Plus: Net VLT Revenue (net of Purses)*	14,204	13,641	563	4.1%	13,641	563	4.1%
<b>Total Operating Income/(Loss)</b>	<b>3,015</b>	<b>1,967</b>	<b>1,048</b>	<b>53.3%</b>	<b>3,427</b>	<b>(412)</b>	<b>(12.0%)</b>
Less: Non-Operating Expenses	3,194	3,876	(681)	(17.6%)	4,201	(1,006)	(24.0%)
<b>NET INCOME/(LOSS)</b>	<b>(\$180)</b>	<b>(\$1,909)</b>	<b>\$1,729</b>	<b>(90.6%)</b>	<b>(\$774)</b>	<b>\$594</b>	<b>(76.8%)</b>

\*1st Qtr Gross VLT Revenue totaled \$29.3 million for 2015, compared to \$28.1 million budgeted and \$28.1 million for 2014.

\*1st Qtr VLT Purses (not included in Net VLT Revenue) totaled \$14.8 million for 2015, compared to \$14.3 million budgeted and \$14.5 million for 2014.

\*1st Qtr VLT Funded Jockey Health Insurance (not included in Net VLT Revenue) totaled \$226K for 2015 and \$217K budgeted.

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

## **EXECUTIVE SUMMARY**

NYRA incurred an operating loss from racing operations of \$11.2 million before VLT funds which was \$485K (4.2%) favorable to budget and a \$975K (9.6%) greater loss than the prior year. The favorable results from budget are due to lower than anticipated operating expenses offset by lower net wagering revenues. The unfavorable results compared to prior year are due to a combination of lower net wagering revenue offset by lower operating expenses.

NYRA earned \$19.5 million of net revenue from racing operations during the three months ended March 31, 2015, \$667K (3.3%) less than budgeted and a decrease of \$3.0 million (13.3%) compared to last year. The decrease in revenue from both budget and prior year was primarily due to extreme weather conditions. Sixteen race days were cancelled and six additional race days were severely impacted compared to only seven budgeted, driving a \$1.8M net revenue loss to budget. To mitigate the impact, three days which were scheduled to be dark were added back as well as other favorable miscellaneous offsets reduced the net revenue budget variance.

Operating expenses of \$30.7 million were \$1.2M (3.6%) favorable to budget primarily due to lower than expected labor expense as a result of increased capitalized labor, delays in hiring for open positions and savings resulting from fewer race days. Other favorable variances included lower operating supplies, lower consulting fees (long term planning), lower workers compensation insurance expense, lower telephone costs due to reduced phone wagering and lower marketing and advertising (due to deferring online and print advertising to the second quarter). These decreases were partially offset by unfavorable repairs and maintenance expense primarily related to winter track maintenance and environmental remediation for Yaddo as well as higher utilities for Belmont Café due to cold weather.

Operating expenses decreased \$2.0 million (6.2%) compared to the same period last year primarily due to a decrease in long term planning consulting, a decrease in cable contract/video streaming expense (lower NYC cable contract cost in 2015), and a decrease in labor expense (increased capitalized labor).

NYRA earned \$29.3 million of VLT revenue of which \$15.1 million was available for stakes and purses, \$8.1 million for capital expenditures and \$6.1 million for NYRA operations. Gross VLT revenue increased \$1.2 million over budget and last year due to an \$18 or 4.2% increase in win per machine (WPM) at Resorts World. VLT revenue was budgeted in line with 2014 results.

Non-operating expenses were \$681K favorable to budget primarily due to lower retiree benefits, income tax expense and depreciation expense. Non-operating expenses decreased \$1.0 million compared to the same period last year primarily due to decreases in pension expense and retiree benefits.

NYRA incurred a net loss of \$180K for the three months ended March 31, 2015, \$1.7M (90.6%) less loss than budgeted, and \$594K (76.8%) less of a loss compared to last year.

### **Capital Projects**

During the quarter, NYRA spent \$5.9 million on capital improvements including \$1.5 million on capital projects budgeted in the prior year. Major expenditures included guest area improvements at Aqueduct including airport seating, upgrades to the public announcement system and upgrades of Champs Bar (Silks) and Manhattan Terrace as well as new awnings and renovations at Saratoga. There were also upgrades to the barn areas at all three tracks, Mellon and Inner Turf Irrigation in Saratoga, the purchase of fleet equipment including tractors, a loader and several vehicles, sprinklers for fire prevention, a hot water heater for Belmont, and equipment for NYRA TV and other information technology equipment and software.

### **Industry Update**

Based on information provided by Equibase (compared to prior year), for the three months ended March 31, 2015, wagering on U.S. races decreased 5.2% compared to a 26.9% decrease in wagering on NYRA races. NYRA contributed 4.6% of total industry race days, offered 8.5% of purses and generated 9.8% of thoroughbred handle across the United States. Every dollar invested in purses at NYRA during the three months ended March 31, 2015 yielded \$13.93 in handle compared to \$11.96 industry-wide.

## HANDLE STATISTICS

	For the Three Months				For the Three Months			
	Ending March 31st		Change		Ending March 31st		Change	
	2015	BUDGET	\$	%	2014	\$	%	
<b>RACING DAYS</b>	41	48	-7	-14.6%	54	-13	-24.1%	
ATTENDANCE - Live Race Days, Live Track	121,226	157,480	-36,254	-23.0%	177,689	-56,463	-31.8%	
ATTENDANCE - Live Race Days, Non-Live Track	23,545	33,141	-9,596	-29.0%	37,754	-14,209	-37.6%	
DAILY AVERAGE ATTENDANCE at Live Track	2,957	3,281	-324	-9.9%	3,291	-334	-10.1%	
PER-CAPITA BET ON LIVE DAYS AT LIVE TRACK	\$375	\$302	\$73	24.2%	\$318	\$57	17.9%	
<b><u>ON-TRACK HANDLE COMPONENTS</u></b>								
ADW (PHONE, INTERNET & ON-TRACK)	\$53,121,360	\$59,466,486	-\$6,345,126	-10.7%	\$58,224,309	-\$5,102,949	-8.8%	
SARATOGA	0	0	0	0.0%	0	0	0.0%	
BELMONT	9,889,665	11,024,553	-1,134,888	-10.3%	13,057,212	-3,167,547	-24.3%	
AQUEDUCT	46,026,149	43,399,415	2,626,733	6.1%	52,025,241	-5,999,092	-11.5%	
TOTAL NYRA ON-TRACK HANDLE	\$109,037,174	\$113,890,455	-\$4,853,281	-4.3%	\$123,306,762	-\$14,269,588	-11.6%	
DAILY AVERAGE ON-TRACK HANDLE	\$2,659,443	\$2,372,718	\$286,725	12.1%	\$2,283,459	\$375,985	16.5%	
<b><u>OFF-TRACK HANDLE (EXPORT)</u></b>								
NYOTB DOWNSTATE	\$14,312,754	\$16,479,559	-\$2,166,805	-13.1%	\$21,388,933	-\$7,076,179	-33.1%	
NYOTB UPSTATE	7,601,261	8,821,454	-1,220,193	-13.8%	10,802,077	-3,200,816	-29.6%	
NY INTER-TRACK WAGERING	5,365,823	6,014,373	-648,550	-10.8%	7,303,429	-1,937,606	-26.5%	
OUT-OF-STATE	179,666,282	213,885,206	-34,218,924	-16.0%	242,366,709	-62,700,427	-25.9%	
INTERNATIONAL SEPARATE POOL	6,581,414	6,172,490	408,924	6.6%	7,176,030	-594,616	-8.3%	
TOTAL OFF-TRACK (EXPORT)	\$213,527,534	\$251,373,083	-\$37,845,549	-15.1%	\$289,037,178	-\$75,509,644	-26.1%	
DAILY AVERAGE OFF-TRACK HANDLE	\$5,207,989	\$5,236,939	-\$28,951	-0.6%	\$5,352,540	-\$144,552	-2.7%	
<b>TOTAL HANDLE</b>	\$322,564,708	\$365,263,538	-\$42,698,830	-11.7%	\$412,343,940	-\$89,779,232	-21.8%	
<b>DAILY AVERAGE TOTAL HANDLE</b>	\$7,867,432	\$7,609,657	\$257,775	3.4%	\$7,635,999	\$231,433	3.0%	

There were forty-one race days during the three months ended March 31, 2015 (not including one day which was cancelled after the second race). There were seven less race days than budgeted and thirteen less race days compared to last year. There were sixteen weather related cancellations, nine more cancelled race days than both last year and budget. To compensate for the weather related cancellations, three additional (unbudgeted) race days were added to the Aqueduct winter meet in March 2015.

Attendance at the track conducting live racing was 121,226, a decrease of 23% compared to budget and a decrease of 32% compared to the same period last year.

During the three months ended March 31, 2015, 2,744 horses entered 363 races at NYRA tracks for an average field size of 7.6, compared to 3,521 horses entered in 491 races for an average field size of 7.2 during the same period last year.

NYRA generated \$322.6 million in total handle for the first quarter of 2015, \$42.7 million or 11.7% unfavorable to budget. The unfavorable variance was driven by a 15.1% decrease in export handle and a 4.3% decrease in on-track handle. Total handle decreased 21.8% compared to the same period last year driven by a 26.1% decrease in export handle and an 11.6% decrease in on-track handle.