



THE NEW YORK RACING ASSOCIATION, INC.

Board of Directors Meeting

December 4, 2013

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

December 4, 2013
3:00 p.m. – 5:00 p.m.

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

December 4, 2013
3:00 p.m. to 5:00 p.m.

AGENDA

1. Approval of August 28, 2013 Minutes
2. Report of the Chair
3. Report of the CEO and President
4. Report of the CFO
5. New Business
 - a. Account Deposit Wagering
 - b. Long Term Planning
 - c. Senior Management Personnel
 - d. Racing Dates 2014
6. Committee Reports
 - a. Long Term Planning Committee
 - b. Compensation Committee
 - c. Finance Committee
 - d. Audit and Compliance Committee
 - e. Nominations & Corporate Governance Committee
 - f. Racing Committee
7. Dates for Board Meetings

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 August 28, 2013 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 August 28, 2013 at 10:00 a.m. in the Hall of Records at the National Museum of Racing and Hall of Fame, located in Saratoga Springs, New York pursuant to notice duly given.

The following Directors or Special Advisors were present (either in person or via teleconference):

Anthony J. Bonomo
Michael Dubb
C. Steven Duncker
Robert Flay
Robert Megna
Barry Ostrager
Jane Rosenthal (*via teleconference*)
David J. Skorton, Chair
Joseph Spinelli
Stuart Subotnick
Vincent Tese
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 (*via teleconference*)

The following Directors were not present:

Rick Cotton
Michael J. DelGiudice
Stuart S. Janney, III
Earle Mack
Leonard Riggio

Also present were Christopher Kay, CEO and President; Glen Kozak, Vice President of Facilities and Racing Surfaces; David O'Rourke, Vice President of Corporate Development; Susanne Stover, Senior Vice President and Chief Financial Officer; Kenneth V. Handal, Acting General Counsel; Pasquale Viscusi, Assistant General Counsel; Sid Anthony, Vice President of Security and Operations; Eric Wing, Director of Communications and Media Relations; Charles Kruzansky, Cornell University; Bennett Liebman, NYS Executive Chamber; Patrick Connors (Chair), Michael Amos, Kelly Young, Michael Mills, and Alan Carter (Members) of the NYS Fan Advisory Council; and NYRA Business Integrity Counsel Jonathan Sack of Morvillo, Abramowitz, Grand, Iason, Anello & Bohrer P.C.

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

1. Approval of June 10, 2013 and June 18, 2013 Regular Board Meeting Minutes.

The first item addressed concerned the minutes of the June 10, 2013 and June 18, 2013 regular meetings of the Board. A motion to approve the minutes was made by Mr. Bonomo and seconded by Mr. Subotnick. The resolution was carried without dissent and the minutes were ordered to be added to the permanent records of the corporation. (There were no abstentions among the Directors who were present). A copy of the resolution is attached hereto as **Exhibit 1**.

2. Report of the CEO and President.

Mr. Kay reported on his first seven weeks as NYRA's CEO and President. Discussed were interactions with various stakeholders, members of the public, and members of the media, over the past two months. Also discussed were three priority areas that NYRA will focus on: (1) enhancing the guest experience, (2) improving the quality of racing and (3) preparing the corporation for re-privatization. As part of Mr. Kay's guest experience report, he introduced Patrick Connors, Chair of the NYS Fan Advisory Council. Mr. Connors discussed that the Council's primary tasks are to recommend changes to the NYS Gaming Commission and to recommend policy changes at the track level to enhance the fan experience -- all as set forth in the Council's 2012 report.

3. Report of the Chair.

Dr. Skorton gave an update regarding the account deposit wagering business contract. Dr. Skorton requested a meeting of the Executive Committee and the Chairs of the Finance and Audit and Compliance Committees to review the results of the ADW RFP. On behalf of the Board, Dr. Skorton thanked Ms. Stover, Mr. Kozak, and Mr. O'Rourke for leading the corporation during the CEO search.

4. Report of the SVP/CFO.

Ms. Stover provided the financial update. Ms. Stover gave the report of the second quarter results and year-to-date results. At the request of Mr. DelGiudice (Chair of the Nominations and Governance Committee), NYRA prepared an executive summary of the financial results. It was discussed that a more detailed version of the financial report was provided during the meetings of the Finance and Audit and Compliance Committees. Ms. Stover thanked KPMG for its second quarter review of NYRA's financial statements.

5. New Business.

a. Saratoga 150

Mr. Wait and Mr. Hendrickson reported on the various events and activities that took place during a five-month period to celebrate the 150th anniversary of the first organized race meeting in Saratoga Springs.

b. Advanced Deposit Wagering, status report

Mr. O'Rourke reported on the status of the new account deposit wagering platform that NYRA is seeking to deploy in order to enhance its business.

c. Capital Investments, status report

Mr. Kozak discussed the various facility upgrades at each of Belmont Park Racetrack, Aqueduct Racetrack, and Saratoga Race Course.

d. Totalisator Transition

Mr. O'Rourke reported on NYRA's totalisator transition to AmTote International, Inc.

6. Committee Reports.

a. Audit and Compliance Committee

Mr. Spinelli gave the report of the Audit and Compliance Committee. The Committee met to discuss the second quarter results and KPMG's formal review of same, the GASB and FASB differences as to pension liabilities, the purchasing exceptions in the second quarter, the HD TV project, the Internal Audit updates, and the legal and regulatory updates.

b. Equine Safety Committee

Mr. Bonomo gave the report of the Equine Safety Committee. The Committee met to discuss updates regarding equine breakdowns, a synthetic racetrack surface, necropsies, and the jockey/veterinarian hotline.

c. Finance Committee

Mr. Subotnick gave the report of the Finance Committee. The Committee met to discuss the second quarter results (and KPMG's formal review of same), the ADW RFP, the totalisator transition, NYRA's VLT revenue, and the five-year plan.

d. Nominations and Governance Committee

Mr. Kay gave the report of the Nominations and Governance Committee.

i. Disband CEO Search Committee

Mr. Kay read a proposed resolution to approve the disbanding of the CEO Search Committee. The matter was discussed and a motion approving the resolution was made by Mr. Ostrager and seconded by Mr. Flay. The resolution was carried without dissent. (There were no abstentions among the Directors that were present). A copy of the resolution is attached hereto as **Exhibit 2**.

ii. Approval of Committee Charters

Mr. Kay read a proposed resolution to approve, upon the recommendation of the Nominations and Governance Committee, the following six Committee charters: Executive Committee, Audit and Compliance Committee, Compensation Committee, Finance Committee, Nominations and Governance Committee, and the Racing Committee. The matter was discussed and a motion approving the resolution was made by Mr. Bonomo and seconded by Mr. Ostrager. The resolution was carried without dissent. (There were no abstentions among the Directors who were present). A copy of the resolution is attached hereto as **Exhibit 3**.

7. Schedule of 2014 Board Meetings.

Dr. Skorton discussed that the next Board meeting would take place on December 4, 2013 in New York City and that the proposed schedule of 2014 Board meetings was included in the current meeting materials.

8. Other Business.

Mr. Wait discussed a resolution to honor and respect the service and contributions of

the late Dennis Dammerman, a past member of the NYRA Board of Directors. A proposed resolution in this regard was discussed. The motion approving the resolution was made by Mr. Wait and seconded by Dr. Skorton. The resolution was carried without dissent. (There were no abstentions among the Directors who were present). A copy of the resolution is attached hereto as **Exhibit 4**.

Adjournment.

Dr. Skorton called for additional business. There being no further business to come before the Board, the meeting was concluded at 12:05 p.m.

Pasquale Viscusi, Esq.

Exhibit 1

**JUNE 10, 2013 AND JUNE 18 BOARD OF DIRECTORS MINUTES
RESOLUTION**

IT IS HEREBY RESOLVED, that, upon the motion of Mr. Bonomo, seconded by Mr. Subotnick, the NYRA Board of Directors, having had full opportunity to inquire, consider, and understand, does hereby approve the minutes of the regular June 10, 2013 and June 18, 2013 Board meetings and the minutes are ordered to be added to the permanent records of the corporation.

Exhibit 2

DISBAND CEO SEARCH COMMITTEE RESOLUTION

IT IS HEREBY RESOLVED, that, upon the motion of Mr. Ostrager, seconded by Mr. Flay, the NYRA Board of Directors, having had full opportunity to inquire, consider, and understand, does hereby approve the disbanding of the CEO Search Committee.

Exhibit 3

COMMITTEE CHARTERS RESOLUTION

IT IS HEREBY RESOLVED, that, upon the motion of Mr. Bonomo, seconded by Mr. Ostrager, the NYRA Board of Directors, having had full opportunity to inquire, consider, and understand, does hereby approve, upon the recommendation of the Nominations and Governance Committee, the following six Committee charters: Executive Committee, Audit and Compliance Committee, Compensation Committee, Finance Committee, Nominations & Governance Committee, and Racing Committee.

Exhibit 4

DENNIS DAMMERMAN COMMEMORATION RESOLUTION

IT IS HEREBY RESOLVED, that, upon the motion of Mr. Wait, seconded by Dr. Skorton, the NYRA Board of Directors, having had full opportunity to inquire, consider, and understand, does hereby approve the Board's commemoration with honor and distinction of the service and contributions to NYRA of the late Dennis Dammerman, a member of the NYRA Board of Directors.

AUGUST 28, 2013 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 August 28, 2013 Board meeting and the minutes are ordered to be added to the permanent records of the corporation.

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The New York Racing Association, Inc.

**Summary of Financial Condition
and Unaudited Results of Operation
Third Quarter Ended September 30, 2013
Compared to Third Quarter Ended September 30, 2012 and
Budget**



2013 Third Quarter Results Compared to 2012 Third Quarter Results and Budget

EXECUTIVE SUMMARY

Proforma, Unaudited, Non-GAAP Income Statement

(in thousands)	For Three Months						
	Ending September 30th		Change		Budget	Change	
	2013	2012	\$	%		\$	%
HANDLE & ATTENDANCE							
Race Days	66	66	-	0.0%	66	-	0.0%
Attendance (Live Track)	972,685	1,009,220	(36,535)	(3.6%)	1,009,220	(36,535)	(3.8%)
Total Handle (in thousands)	\$906,127	\$908,664	(\$2,537)	(0.3%)	\$915,373	(\$9,246)	(1.0%)
RACING RELATED REVENUE							
(in thousands)							
	For Three Months						
	Ending September 30th		Change		Budget	Change	
	2013	2012	\$	%		\$	%
On-track	\$46,074	\$47,636	(\$1,562)	(3.3%)	\$48,798	(\$2,724)	(5.6%)
Export revenue	37,220	36,290	930	2.6%	36,058	1,162	3.2%
New York OTB	7,994	8,378	(384)	(4.6%)	7,931	63	0.8%
Sub-total gross pari-mutuel revenue	\$91,288	\$92,304	(\$1,017)	(1.1%)	\$92,787	(\$1,499)	(1.6%)
less: Statutory and Other							
Rewards Rebate	\$1,312	\$1,534	(\$222)	(14.5%)	\$1,686	(\$374)	(22.2%)
Stakes & Purses	36,970	37,041	(72)	(0.2%)	36,648	322	0.9%
Other statutory payments	6,557	7,238	(681)	(9.4%)	6,839	(282)	(4.1%)
Sub-total Statutory and Other	\$44,839	\$45,814	(\$975)	(2.1%)	\$45,173	(\$334)	(0.7%)
Net wagering revenue	\$46,449	\$46,490	(\$42)	(0.1%)	\$47,614	(\$1,165)	(2.4%)
Other revenue, net	\$5,282	\$4,270	\$1,012	23.7%	\$5,003	\$279	5.6%
On-track racing related revenue, net	9,210	9,094	116	1.3%	9,498	(288)	(3.0%)
Net Revenue From Racing Operations	\$60,941	\$59,854	\$1,087	1.8%	\$62,115	(\$1,174)	(1.9%)
OPERATING EXPENSES							
(in thousands)							
	For Three Months						
	Ending September 30th		Change		Budget	Change	
	2013	2012	\$	%		\$	%
Labor Expense	\$24,068	\$22,763	\$1,306	5.7%	\$24,203	(\$134)	(0.6%)
Operating Supplies	1,001	760	241	31.6%	862	138	16.1%
Utilities	1,655	1,499	156	10.4%	1,643	12	0.7%
Temporary Help and Outside Services	6,931	5,664	1,267	22.4%	5,692	1,239	21.8%
Cable Contract/Video Streaming	691	711	(20)	(2.8%)	696	(5)	(0.7%)
Telephone & Communications	2,002	1,899	104	5.5%	1,857	146	7.8%
Professional Fees:							
Legal Fees	31	1,088	(1,057)	(97.1%)	345	(314)	(91.0%)
Consulting	1,054	714	340	47.7%	651	403	61.9%
TOTE Expense	837	944	(107)	(11.3%)	946	(108)	(11.5%)
Rentals & Leases	1,196	1,096	100	9.1%	1,142	54	4.7%
Repairs & Maintenance	2,405	1,937	467	24.1%	1,921	484	25.2%
Insurance	1,979	1,778	201	11.3%	1,757	221	12.6%
Marketing & Advertising	1,385	2,035	(650)	(31.9%)	2,545	(1,160)	(45.6%)
Other Expenses	4,613	4,476	137	3.1%	4,123	490	11.9%
Total Operating Expenses	\$49,849	\$47,364	\$2,486	5.2%	\$48,383	\$1,467	3.0%
Operating Income/(Loss)	\$11,091	\$12,490	(\$1,399)	(11.2%)	\$13,732	(\$2,641)	(19.2%)
Plus: Net VLT Revenue	\$14,168	\$12,316	\$1,852	15.0%	\$12,321	\$1,847	15.0%
Less: Non-Operating Expenses	5,395	5,133	262	5.1%	5,486	(91)	(1.7%)
Net Income/(Loss)	\$19,864	\$19,673	\$191	1.0%	\$20,567	(\$703)	(3.4%)

- **Handle and Attendance Results**

Handle and attendance results for the three month period ending September 30, 2013 include the last nine days of the Belmont Spring meet, the Saratoga meet and the first seventeen days of the Belmont Fall meet. Estimated on-track attendance at the track conducting live racing was 972,685, a decrease of 36,535 or 4% compared to last year. The decrease in attendance is primarily attributable to lower attendance during the Saratoga meet which was impacted by unfavorable weather conditions during opening weekend and Labor Day weekend as well as reduced attendance on “giveaway” days.

During the three months, NYRA generated \$906.1 million in total handle, a decrease of \$2.5 million or 0.3% compared to the same period last year. The decrease in handle is primarily attributable to a \$5.1 million decrease in on-track handle and a \$4.5 million or 5% decrease in NY OTB and in-state track handle partially offset by a \$7.1 million or 1% increase in out-of-state and international export handle. Total handle was lower than budget by \$9.2 million or 1% primarily due to lower than expected NYRA Rewards account wagering handle and on-track wagering at Aqueduct. The budget assumed that enhanced funding through MoneyGram would commence during the Saratoga meet and that Longshots would be open by July 2013. MoneyGram is now expected to go live by year end and Longshots is expected to be open by April 2014.

During the third quarter of 2013, 5,494 horses entered 676 races at Saratoga and Belmont race tracks for an average field size of 8.1. During the same period last year 5,650 horses entered 667 races, for an average field size of 8.5. The reduction in field size is attributed to a decrease in the number of horses in claiming and maiden claiming races. Average handle per betting interest of \$152,478 increased 2% compared to last year.

- **Net Revenue From Racing Operations**

NYRA earned net revenue from racing operations totaling \$60.9 million, an increase of \$1.1 million or 2% compared to last year. The increase in net revenue from racing operations is due to an increase in on-track racing related and other revenue. Net revenue from racing operations was \$1.2 million or 2% below budget due to lower than expected net wagering and on-track racing related revenue partially offset by higher other revenue.

- **Operating Expenses**

Operating expenses of \$49.8 million increased \$2.5 million or 5% compared to prior year primarily due to increases in labor (increased headcount from no longer outsourcing trade labor through Resorts World and an increase in seasonal employees associated with Saratoga 150), outside services (two additional Saratoga Summer Series shows, opening weekend concert in Saratoga and EMT expense associated with longer racing days at Saratoga), consulting (purchasing software integration support, corporate counseling and Internal Audit support due to reduced staffing) and repairs & maintenance (garbage and manure removal) partially offset by decreases in legal fees (director and officer insurance settlement) and marketing (reallocation of live music/entertainment, lower sponsorship and advertising) expenses. The increase in operating expenses were \$1.5 million or 3% over budget primarily due to higher than

expected outside services, repairs & maintenance and consulting expenses partially offset by lower than expected legal fees and marketing expenses.

Operating Income/(Loss) From Racing Operations

During the third quarter of 2013, NYRA earned operating income from racing operations totaling \$11.1 million, a decrease of \$1.4 million or 11% compared to last year and \$2.6 million or 19% below budget. The variance to last year is due to increased operating expenses partially offset by increased net revenue from racing operations and the variance to budget is due to increased operating expenses per above.

- **VLT Revenue**

During the third quarter of 2013, NYRA earned approximately \$28.2 million in VLT revenue of which \$14.0 million was available for stakes and purses, \$8.1 million for capital expenditures and \$6.1 million for operations. Gross VLT revenue increased \$4.4 million over last year primarily due to a 0.50% increase in purse funding effective October 28, 2012 as well as a \$57 or 15% increase in win per machine (WPM) results at Resorts World. WPM for the three months ended September 30, 2013 averaged \$440 compared to an average of \$383 during the same period last year. VLT revenue was budgeted in line with 2012 results.

- **Non-Operating Expenses**

Non-operating expenses totaling \$5.4 million, which primarily consist of retiree benefits, pension, depreciation and income tax expenses, increased \$262,000 or 5% compared to last year and were below budget by \$91,000 or 2%. The increase in non-operating expenses compared to last year is primarily attributable to a \$1.3 million income tax expense and an increase in depreciation expense (due to increased investment in depreciable assets) offset by decreases in pension and retiree benefits expenses associated with the conversion from FASB to GASB reporting standards. The decrease in non-operating expenses compared to budget is due to decreases in pension, depreciation and retiree benefits expense offset by an increase in income tax expense.

- **Net Income/(Loss)**

During the third quarter of 2013, NYRA earned net income of \$19.9 million, an increase of \$191,000 or 1% compared to last year and \$703,000 or 3% lower compared to budget. The favorable variance to last year is due to increased net revenue from operations and VLT revenue partially offset by increased operating expenses per above. The variance to budget is due to higher than expected expenses and lower than expected net revenue from racing operations partially offset by higher than expected VLT revenue.

- **Capital Projects**

During the third quarter of 2013, NYRA spent approximately \$4.9 million on capital improvements including approximately \$521,000 on 2012 related capital projects. Major expenditures included barn area upgrades and patron area improvements at all three race tracks, the purchase of tote wiring, the purchase of additional high definition cameras and the installation of the Trackus digital sports information system at Belmont and Aqueduct.

- **\$25 Million Genting LLC Loan Facility**

During the third quarter of 2013, NYRA paid \$3.54 million towards the loan, of which \$3.5 million was applied towards principal and \$46,000 was applied towards interest. As of September 30, 2013, NYRA had a total outstanding loan balance of \$6.9 million due Genting LLC. The loan is expected to be repaid in full by April 2014.

- **Industry Update**

Based on information provided by Equibase, for the third quarter of 2013, wagering on U.S. races increased 1% compared to a 1% decrease in wagering on NYRA races. NYRA contributed 4% of total industry race days, offered 17% of purses and generated 29% of thoroughbred handle across the United States. Every dollar invested in purses at NYRA during the three months ended September 30, 2013 yielded \$14.25 in handle compared to \$8.28 industry-wide.

EXHIBIT 1

HANDLE STATISTICS THIRD QUARTER 2013 COMPARED TO THIRD QUARTER 2012 AND BUDGET

	For the Three Months Ending September 30th		Change		BUDGET	Change	
	2013	2012	\$	%		\$	%
	RACING DAYS	66	66	0		0.0%	66
ATTENDANCE - Live Race Days, Live Track	972,685	1,009,220	-36,535	-3.6%	1,009,220	-36,535	-3.6%
ATTENDANCE - Live Race Days, Non-Live Track	174,874	167,498	7,376	4.4%	167,498	7,376	4.4%
DAILY AVERAGE ATTENDANCE at Live Track	14,738	15,291	-554	-3.6%	15,291	-554	-3.6%
PER-CAPITA BET ON LIVE DAYS AT LIVE TRACK	\$144	\$142	\$2	1.4%	\$146	(\$2)	-1.4%
ON-TRACK HANDLE COMPONENTS							
ADW (PHONE, INTERNET & ON-TRACK)	\$78,735,617	\$82,502,089	-\$3,766,472	-4.6%	\$90,032,398	-\$11,296,780	-12.5%
SARATOGA	100,905,934	99,927,377	978,557	1.0%	99,064,088	1,841,846	1.9%
BELMONT	33,398,928	35,004,647	-1,605,719	-4.6%	34,709,711	-1,310,783	-3.8%
AQUEDUCT	36,975,031	37,729,760	-754,729	-2.0%	39,076,954	-2,101,923	-5.4%
TOTAL NYRA ON-TRACK HANDLE	\$250,015,509	\$255,163,873	-\$5,148,363	-2.0%	\$262,883,150	-\$12,867,641	-4.9%
DAILY AVERAGE ON-TRACK HANDLE	\$3,788,114	\$3,866,119	-\$78,006	-2.0%	\$3,983,078	-\$194,964	-4.9%
OFF-TRACK HANDLE (EXPORT)							
NYOTB DOWNSTATE	\$41,732,615	\$44,088,637	-\$2,356,022	-5.3%	\$40,406,865	\$1,325,750	3.3%
NYOTB UPSTATE	29,798,761	31,265,569	-1,466,808	-4.7%	29,906,821	-108,060	-0.4%
NY INTER-TRACK WAGERING	16,011,972	16,664,741	-652,770	-3.9%	15,063,588	948,384	6.3%
OUT-OF-STATE	561,909,161	558,510,669	3,398,492	0.6%	562,102,804	-193,643	0.0%
INTERNATIONAL SEPARATE POOL	6,659,162	2,970,977	3,688,185	124.1%	5,009,840	1,649,322	32.9%
TOTAL OFF-TRACK (EXPORT)	\$656,111,671	\$653,500,593	\$2,611,078	0.4%	\$652,489,916	\$3,621,754	0.6%
DAILY AVERAGE OFF-TRACK HANDLE	\$9,941,086	\$9,901,524	\$39,562	0.4%	\$9,886,211	\$54,875	0.6%
TOTAL HANDLE	\$906,127,180	\$908,664,465	-\$2,537,285	-0.3%	\$915,373,067	-\$9,245,887	-1.0%
DAILY AVERAGE TOTAL HANDLE	\$13,729,200	\$13,767,643	-\$38,444	-0.3%	\$13,869,289	-\$140,089	-1.0%

THE NEW YORK RACING ASSOCIATION, INC.
P&L - Summary of All Units
For the Three Months Ending September 30, 2013
(Unaudited)

	CURRENT YEAR				PRIOR YEAR		
	ACTUAL	BUDGET	VARIANCE	VAR %	September - 2012	PR YR VAR	PR YR VAR %
REVENUE							
On-Track take out	\$45,612,247	\$48,024,736	(\$2,412,489)	-5.0%	\$46,904,393	(\$1,292,146)	-2.8%
On-Track breakage	461,842	773,507	(311,665)	-40.3%	731,575	(269,733)	-36.9%
New York OTB	7,993,648	7,930,743	62,905	0.8%	8,377,942	(384,294)	-4.6%
Intrastate simulcasting	1,401,254	1,303,234	98,020	7.5%	1,454,580	(53,326)	-3.7%
Interstate simulcasting	35,290,166	34,167,592	1,122,574	3.3%	34,322,608	967,558	2.8%
International simulcasting	528,448	586,914	(58,466)	-10.0%	513,066	15,382	3.0%
NYRA Rewards Rebate	(1,312,324)	(1,686,095)	373,771	-22.2%	(1,534,358)	222,034	-14.5%
On track racing related revenue	9,209,871	9,498,327	(288,456)	-3.0%	9,093,937	115,934	1.3%
Other revenue	5,281,924	5,002,518	279,406	5.6%	4,269,708	1,012,216	23.7%
VLT Revenue	28,194,303	24,642,800	3,551,503	14.4%	23,751,962	4,442,341	18.7%
GROSS REVENUE	132,661,379	130,244,276	2,417,103	1.9%	127,885,413	4,775,966	3.7%
STATUTORY PAYMENTS							
Stakes & Purses	36,969,511	36,647,603	321,908	0.9%	37,041,147	(71,636)	-0.2%
Stakes & Purses-VLT	14,026,312	12,321,400	1,704,912	13.8%	11,436,367	2,589,945	22.6%
Pari Mutuel Tax	3,650,871	3,797,187	(146,316)	-3.9%	3,847,780	(196,909)	-5.1%
Simulcasting Tax	66,748	65,101	1,647	2.5%	487,168	(420,420)	-86.3%
Breeding Fund	1,589,235	1,662,403	(73,168)	-4.4%	1,627,535	(38,300)	-2.4%
NYS R&W Board	1,250,080	1,314,414	(64,334)	-4.9%	1,275,820	(25,740)	-2.0%
TOTAL STATUTORY PAYMENTS	57,552,757	55,808,108	1,744,649	3.1%	55,715,817	1,836,940	3.3%
NET REVENUE	75,108,622	74,436,168	672,454	0.9%	72,169,596	2,939,026	4.1%
EXPENSES							
Salaries & Wages	18,102,815	18,039,242	63,573	0.4%	17,123,708	979,107	5.7%
Payroll Taxes	1,395,660	1,345,880	49,780	3.7%	1,306,070	89,590	6.9%
Benefits	4,569,715	4,817,519	(247,804)	-5.1%	4,332,730	236,985	5.5%
Travel	89,298	114,158	(24,860)	-21.8%	93,059	(3,761)	-4.0%
Saratoga Per Diem	2,360,267	2,443,583	(83,316)	-3.4%	2,297,127	63,140	2.7%
Operating Supplies	1,000,799	862,356	138,443	16.1%	760,289	240,510	31.6%
Utilities	1,654,975	1,642,690	12,285	0.7%	1,498,968	156,007	10.4%
Dues & Subscriptions	163,365	215,270	(51,905)	-24.1%	245,204	(81,839)	-33.4%
Temporary Help	2,660,674	2,458,872	201,802	8.2%	2,455,650	205,024	8.3%
Outside Services	4,270,459	3,233,146	1,037,313	32.1%	3,208,334	1,062,125	33.1%
Cable Contract/Video Streaming	691,083	696,126	(5,043)	-0.7%	711,251	(20,168)	-2.8%
Telephone & Communications	2,002,263	1,856,564	145,699	7.8%	1,898,757	103,506	5.5%
Professional Fees:							
Legal	31,032	345,000	(313,968)	-91.0%	1,087,596	(1,056,564)	-97.1%
Consulting	1,054,103	650,944	403,159	61.9%	713,872	340,231	47.7%
TOTE Expense	837,408	945,767	(108,359)	-11.5%	944,107	(106,699)	-11.3%
Rentals & Leases	1,196,434	1,142,413	54,021	4.7%	1,096,449	99,985	9.1%
Repairs & Maintenance	2,404,937	1,920,972	483,965	25.2%	1,937,460	467,477	24.1%
Insurance	1,978,609	1,757,347	221,262	12.6%	1,777,541	201,068	11.3%
Sponsorship Expenses	123,099	287,195	(164,096)	-57.1%	287,196	(164,097)	-57.1%
Promotions	7,363	1,267,957	(1,260,594)	-99.4%	998,050	(990,687)	-99.3%
Marketing & Advertising	1,254,865	990,073	264,792	26.7%	750,146	504,719	67.3%
Customer Relations	333,889	219,915	113,974	51.8%	171,077	162,812	95.2%
Charitable Contributions	478,554	412,751	65,803	15.9%	376,140	102,414	27.2%
Bad Debt Expense	102,054	0	102,054	100.0%	90,000	12,054	13.4%
Other Expenses	1,085,703	717,024	368,679	51.4%	1,203,128	(117,425)	-9.8%
TOTAL OPERATING EXPENSES	49,849,423	48,382,764	1,466,659	3.0%	47,363,909	2,485,514	5.2%
OPERATING INCOME	25,259,199	26,053,404	(794,205)	-3.0%	24,805,687	453,512	1.8%
NON-OPERATING EXPENSES							
Retiree Benefits	2,112,650	2,231,341	(118,691)	-5.3%	2,671,998	(559,348)	-20.9%
Pension	1,007,750	2,074,638	(1,066,888)	-51.4%	1,823,001	(815,251)	-44.7%
Interest Expense	51,752	47,255	4,497	9.5%	110,772	(59,020)	-53.3%
Depreciation	972,622	1,132,956	(160,334)	-14.2%	499,325	473,297	94.8%
Income Tax Expense	1,250,000	0	1,250,000	100.0%	27,439	1,222,561	4455.6%
TOTAL NON-OPERATING EXPENSE	5,394,774	5,486,190	(91,416)	-1.7%	5,132,535	262,239	5.1%
NET INCOME/(LOSS)	19,864,425	20,567,214	(702,789)	-3.4%	19,673,152	191,273	1.0%

The New York Racing Association, Inc.

Summary of Financial Condition and Unaudited Results of Operation Year to Date Ended September 30, 2013 Compared to Year to Date Ended September 30, 2012 and Budget



**Year to Date Ended September 30, 2013 Results
Compared to Year to Date Ended September 30, 2012 Results and
Budget**

EXECUTIVE SUMMARY

Proforma, Unaudited, Non-GAAP Income Statement

(in thousands)	For Nine Months				Budget	Change	
	Ending September 30th		Change			\$	%
	2013	2012	\$	%			
HANDLE & ATTENDANCE							
Race Days	179	189	(10)	(5.3%)	183	(4)	(2.2%)
Attendance (Live Track)	1,464,691	1,606,055	(141,364)	(8.8%)	1,582,777	(118,086)	(8.1%)
Total Handle (in thousands)	\$1,984,397	\$2,042,752	(\$58,354)	(2.9%)	\$2,018,603	(\$34,205)	(1.7%)
RACING RELATED REVENUE							
On-track	\$95,009	\$100,096	(\$5,086)	(5.1%)	\$102,215	(\$7,206)	(7.0%)
Export revenue	81,333	81,542	(209)	(0.3%)	79,580	1,753	2.2%
New York OTB	21,423	22,830	(1,407)	(6.2%)	21,280	144	0.7%
Sub-total gross pari-mutuel revenue	\$197,766	\$204,468	(\$6,702)	(3.3%)	\$203,075	(\$5,309)	(2.6%)
less: Statutory and Other							
Rewards Rebate	\$2,559	\$3,137	(\$578)	(18.4%)	\$3,358	(\$800)	(23.8%)
Stakes & Purses	82,591	85,170	(2,580)	(3.0%)	83,649	(1,058)	(1.3%)
Other statutory payments	13,467	14,993	(1,526)	(10.2%)	14,324	(857)	(6.0%)
Sub-total Statutory and Other	\$98,617	\$103,300	(\$4,683)	(4.5%)	\$101,332	(\$2,715)	(2.7%)
Net wagering revenue	\$99,149	\$101,168	(\$2,019)	(2.0%)	\$101,743	(\$2,594)	(2.5%)
Other revenue, net	\$10,645	\$9,783	\$862	8.8%	\$10,633	\$12	0.1%
On-track racing related revenue, net	12,397	13,028	(631)	(4.8%)	12,789	(392)	(3.1%)
Net Revenue From Racing Operations	\$122,191	\$123,979	(\$1,788)	(1.4%)	\$125,165	(\$2,973)	(2.4%)
OPERATING EXPENSES							
Labor Expense	\$64,834	\$59,542	\$5,291	8.9%	\$64,244	\$590	0.9%
Operating Supplies	2,372	1,898	474	25.0%	2,170	203	9.3%
Utilities	5,382	4,936	446	9.0%	5,333	49	0.9%
Temporary Help and Outside Services	10,308	9,236	1,073	11.6%	8,602	1,707	19.8%
Cable Contract/Video Streaming	2,124	2,069	55	2.6%	2,116	8	0.4%
Telephone & Communications	5,095	5,253	(157)	(3.0%)	5,163	(68)	(1.3%)
Professional Fees:							
Legal Fees	1,477	3,849	(2,371)	(61.6%)	1,035	442	42.7%
Consulting	2,965	2,984	(19)	(0.6%)	1,957	1,008	51.5%
TOTE Expense	1,946	2,081	(136)	(6.5%)	2,079	(133)	(6.4%)
Rentals & Leases	2,365	2,191	174	7.9%	2,232	133	6.0%
Repairs & Maintenance	5,360	4,706	654	13.9%	4,875	485	9.9%
Insurance	5,962	5,038	924	18.3%	5,244	718	13.7%
Marketing & Advertising	3,544	4,156	(612)	(14.7%)	5,698	(2,154)	(37.8%)
Other Expenses	7,688	8,628	(941)	(10.9%)	7,120	568	8.0%
Total Operating Expenses	\$121,422	\$116,568	\$4,853	4.2%	\$117,867	\$3,554	3.0%
Operating Income	\$770	\$7,411	(\$6,642)	(89.6%)	\$7,297	(\$6,528)	(89.5%)
Plus: Net VLT Revenue	\$41,406	\$35,592	\$5,814	16.3%	\$35,466	\$5,941	16.8%
Less: Non-Operating Expenses	(6,219)	15,304	(21,524)	(140.6%)	15,822	(22,041)	(139.3%)
Net Income/(Loss)	\$48,395	\$27,699	\$20,697	74.7%	\$26,941	\$21,454	79.6%

- **Handle and Attendance Results**

September 2013 year to date handle and attendance results were impacted by reduced racing days compared to prior year and budget. There were 179 race days during the nine months ended September 30, 2013, ten fewer race days compared to last year. Six cancellations were approved by the Board and Gaming Commission for equine safety initiatives and four were weather related cancellations. There were four fewer race days compared to budget which assumed six weather related cancellations. Estimated on-track attendance, at the track conducting live racing, was 1,464,691, a decrease of 141,364 or 9% compared to last year. The decrease is primarily attributable to fewer race days, reduced attendance during the Saratoga meet and reduced attendance on Belmont Stakes Day which was impacted with comparison to last year's Triple Crown potential.

During the nine months ended September 30, 2013, NYRA generated \$1.98 billion in total handle compared to \$2.04 billion last year for a decrease of \$58.4 million or 3%. NYRA on-track handle of \$534.2 million decreased \$20.4 million or 4% compared to the same period last year. Export handle of \$1.45 billion decreased \$38.0 or 3% compared to the same period last year. Total handle was lower than budget by \$34.2 million or 2% due to fewer than expected race days.

Year to date through September 30, 2013, 13,362 horses entered 1,740 races at NYRA's three race tracks for an average field size of 7.7. During the same period last year, 14,563 horses entered 1,813 races, for an average field size of 8.1. The field size reduction is primarily attributable to the December 2012 medicine rule change. Field size was impacted to a lesser extent by weather, specifically during the first quarter of 2013 when compared to the unseasonably mild first quarter of 2012. Although there was a decrease in field size, average handle per betting interest increased \$7,047 or 5% to \$136,503 compared to last year.

- **Net Revenue From Racing Operations**

NYRA earned net revenue from racing operations totaling \$122.2 million, a decrease of \$1.8 million or 1% compared to last year. The decrease in net revenue from racing operations is primarily due to ten fewer race days compared to last year as well as reduced revenue on Belmont Stakes Day. Net revenue from racing operations was below budget by \$3.0 million or 2% primarily due to four fewer than expected race days and lower than expected on-track revenue as the budget assumed Longshots would be open and additional funding opportunities would be available to NYRA Rewards customers through MoneyGram.

- **Operating Expenses**

Operating expenses of \$121.4 million increased \$4.9 million or 4% compared to prior year due to increases in labor expense (union retroactive pay, president transition and new hires), outside services (Saratoga Summer Series TV broadcast and concert), workers compensation insurance and repairs & maintenance partially offset by decreases in legal fees (insurance settlement) and marketing expense. The increase in expenses were \$3.6 million or 3% higher than budget primarily due to higher than expected outside services, consulting fees, workers compensation insurance and repairs & maintenance expenses offset by lower than expected marketing expenses.

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

During the nine months ended September 2013, NYRA earned operating income from racing operations totaling \$770,000, a decrease of \$6.6 million compared to last year and \$6.5 million lower than budget.

- **VLT Revenue**

During the nine months ended September 30, 2013, NYRA earned approximately \$82.5 million in VLT revenue of which \$41.1 million was available for stakes and purses, \$23.7 million for capital expenditures and \$17.7 million operations. Gross VLT revenue increased \$13.9 million or 20% compared to last year primarily due to a 0.50% increase in purse funding effective October 28, 2012 as well as a \$62 or 17% increase in win per machine (WPM) results at Resorts World. WPM for the nine months ended September 30, 2013 averaged \$433 compared to an average of \$371 during the same period last year. VLT revenue was budgeted in line with 2012 results.

- **Non-Operating Expenses**

Non-operating expenses totaling (\$6.2 million), which consist of retiree benefits, pension, depreciation and income taxes, decreased \$21.5 million compared to last year and were below budget by \$22.0 million. The decrease in non-operating expenses compared to last year is attributable to a \$20 million release of the full valuation allowance against NYRA's deferred tax assets as well as decreased retiree benefits and pension expense due to the conversion from FASB to GASB reporting standards, partially offset by an increase in depreciation expense. The variance to budget is attributable to lower than expected overall non-operating expenses.

- **Net Income/(Loss)**

During the nine months ended September 30, 2013, NYRA's earned net income totaling \$7.0 million, an increase of \$14.9 million compared to last year and \$15.5 million higher compared to budget. The favorable variances year over year and to budget are due to increased VLT revenue and decreased non-operating expenses partially offset by increased operating expenses as noted above.

- **Capital Projects**

During the nine months ended September 2013, NYRA spent approximately \$12.3 million on capital improvements including approximately \$1.5 million for 2012 related capital projects. Major expenditures included barn area upgrades and patron area improvements at all three race tracks, work related to the CAFO and the storm water management project at Belmont, the purchase of high definition cameras and television production equipment for the new TV trailer, telephone system upgrades, the installation of the Trackus digital sports information system at Belmont and Aqueduct, the purchase and installation of tote wiring and the purchase of an ambulance and other maintenance vehicles.

- **\$25 Million Genting LLC Loan Facility**

During the nine months ended September 30, 2013, NYRA paid \$10.4 million towards the loan, of which \$10.2 million was applied towards principal and \$186,000 was applied towards interest. As of September 30, 2013, NYRA had an outstanding loan balance of \$6.9 million due Genting LLC which is expected to be paid in full by April 2014.

- **Industry Update**

Based on Equibase data for the nine months ended September 30, 2013, wagering on U.S. races decreased 0.10% compared to a 4% decrease in wagering on NYRA races. The primary driver of the reduction in wagering on NYRA races was ten fewer race days. NYRA contributed 5% of total industry race days, offered 14% of purses and generated 21% of thoroughbred handle across the United States. Every dollar invested in purses at NYRA during the nine months yielded \$14.77 in handle compared to \$9.87 industry-wide.

EXHIBIT 1

HANDLE STATISTICS YEAR TO DATE SEPTEMBER 30, 2013 COMPARED TO YEAR TO DATE SEPTEMBER 30, 2012 AND BUDGET

	For the Nine Months Ending September 30th		Change		BUDGET	Change	
	2013	2012	\$	%		\$	%
	RACING DAYS	179	189	-10		-5.3%	183
ATTENDANCE - Live Race Days, Live Track	1,464,691	1,606,055	-141,364	-8.8%	1,582,777	-118,086	-7.5%
ATTENDANCE - Live Race Days, Non-Live Track	321,788	308,718	13,070	4.2%	307,292	14,496	4.7%
DAILY AVERAGE ATTENDANCE at Live Track	8,183	8,498	-315	-3.7%	8,649	-466	-5.4%
PER-CAPITA BET ON LIVE DAYS AT LIVE TRACK	\$186	\$186	\$0	0.0%	\$197	(\$11)	-5.6%
<u>ON-TRACK HANDLE COMPONENTS</u>							
ADW (PHONE, INTERNET & ON-TRACK)	\$198,535,657	\$204,772,445	-\$6,236,788	-3.0%	\$218,398,625	-\$19,862,967	-9.1%
SARATOGA	100,905,934	99,927,377	978,557	1.0%	99,064,088	1,841,846	1.9%
BELMONT	98,274,150	105,094,928	-6,820,778	-6.5%	104,168,050	-5,893,900	-5.7%
AQUEDUCT	136,502,970	144,792,349	-8,289,379	-5.7%	147,445,897	-10,942,927	-7.4%
TOTAL NYRA ON-TRACK HANDLE	\$534,218,711	\$554,587,100	-\$20,368,389	-3.7%	\$569,076,659	-\$34,857,948	-6.1%
DAILY AVERAGE ON-TRACK HANDLE	\$2,984,462	\$2,934,323	\$50,139	1.7%	\$3,109,709	-\$125,246	-4.0%
<u>OFF-TRACK HANDLE (EXPORT)</u>							
NYOTB DOWNSTATE	\$99,494,184	\$109,940,480	-\$10,446,296	-9.5%	\$98,538,155	\$956,030	1.0%
NYOTB UPSTATE	58,116,492	63,034,124	-4,917,632	-7.8%	58,969,269	-852,777	-1.4%
NY INTER-TRACK WAGERING	35,449,670	39,299,232	-3,849,563	-9.8%	34,792,317	657,353	1.9%
OUT-OF-STATE	1,237,197,710	1,267,914,573	-30,716,862	-2.4%	1,242,542,676	-5,344,965	-0.4%
INTERNATIONAL SEPARATE POOL	19,920,679	7,976,156	11,944,524	149.8%	14,683,840	5,236,839	35.7%
TOTAL OFF-TRACK (EXPORT)	\$1,450,178,735	\$1,488,164,565	-\$37,985,830	-2.6%	\$1,449,526,256	\$652,479	0.0%
DAILY AVERAGE OFF-TRACK HANDLE	\$8,101,557	\$7,873,887	\$227,671	2.9%	\$7,920,909	\$180,649	2.3%
TOTAL HANDLE	\$1,984,397,446	\$2,042,751,664	-\$58,354,218	-2.9%	\$2,018,602,916	-\$34,205,469	-1.7%
DAILY AVERAGE TOTAL HANDLE	\$11,086,019	\$10,808,210	\$277,809	2.6%	\$11,030,617	\$55,402	0.5%

THE NEW YORK RACING ASSOCIATION, INC.
P&L - Summary of All Units
For the Nine Months Ending September 30, 2013
(Unaudited)

	CURRENT YEAR				PRIOR YEAR		
	ACTUAL	BUDGET	VARIANCE	VAR %	September - 2012	PR YR VAR	PR YR VAR %
REVENUE							
On-Track take out	\$93,896,478	\$100,640,579	(\$6,744,101)	-6.7%	\$98,569,967	(\$4,673,489)	-4.7%
On-Track breakage	1,113,019	1,574,683	(461,664)	-29.3%	1,525,924	(412,905)	-27.1%
New York OTB	21,423,301	21,279,727	143,574	0.7%	22,830,144	(1,406,843)	-6.2%
Intrastate simulcasting	3,276,168	3,151,079	125,089	4.0%	3,602,387	(326,219)	-9.1%
Interstate simulcasting	76,640,552	74,879,956	1,760,596	2.4%	76,545,500	95,052	0.1%
International simulcasting	1,416,376	1,548,952	(132,576)	-8.6%	1,394,158	22,218	1.6%
NYRA Rewards Rebate	(2,558,769)	(3,358,438)	799,669	-23.8%	(3,136,676)	577,907	-18.4%
On track racing related revenue	12,397,057	12,788,831	(391,774)	-3.1%	13,028,442	(631,385)	-4.8%
Other revenue	10,644,929	10,632,525	12,404	0.1%	9,782,532	862,397	8.8%
VLT Revenue	82,522,686	70,931,000	11,591,686	16.3%	68,641,920	13,880,766	20.2%
GROSS REVENUE	300,771,797	294,068,894	6,702,903	2.3%	292,784,298	7,987,499	2.7%
STATUTORY PAYMENTS							
Stakes & Purses	82,590,711	83,649,062	(1,058,351)	-1.3%	85,170,276	(2,579,565)	-3.0%
Stakes & Purses-VLT	41,116,309	35,465,500	5,650,809	15.9%	33,050,031	8,066,278	24.4%
Pari Mutuel Tax	7,371,736	7,850,706	(478,970)	-6.1%	8,165,567	(793,831)	-9.7%
Simulcasting Tax	257,184	245,723	11,461	4.7%	487,168	(229,984)	-47.2%
Breeding Fund	3,167,009	3,382,277	(215,268)	-6.4%	3,567,036	(400,027)	-11.2%
NYS R&W Board	2,671,095	2,845,381	(174,286)	-6.1%	2,772,926	(101,831)	-3.7%
TOTAL STATUTORY PAYMENTS	137,174,044	133,438,649	3,735,395	2.8%	133,213,004	3,961,040	3.0%
NET REVENUE	163,597,753	160,630,245	2,967,508	1.8%	159,571,294	4,026,459	2.5%
EXPENSES							
Salaries & Wages	48,077,487	46,791,075	1,286,412	2.7%	43,671,900	4,405,587	10.1%
Payroll Taxes	3,812,438	3,599,651	212,787	5.9%	3,428,343	384,095	11.2%
Benefits	12,943,907	13,853,115	(909,208)	-6.6%	12,442,163	501,744	4.0%
Travel	247,993	258,201	(10,208)	-4.0%	178,758	69,235	38.7%
Saratoga Per Diem	2,360,267	2,443,583	(83,316)	-3.4%	2,297,127	63,140	2.7%
Operating Supplies	2,372,304	2,169,664	202,640	9.3%	1,898,089	474,215	25.0%
Utilities	5,381,799	5,333,049	48,750	0.9%	4,935,988	445,811	9.0%
Dues & Subscriptions	559,110	630,161	(71,051)	-11.3%	712,476	(153,366)	-21.5%
Temporary Help	3,158,687	2,913,392	245,295	8.4%	3,075,438	83,249	2.7%
Outside Services	7,149,726	5,688,337	1,461,389	25.7%	6,160,361	989,365	16.1%
Cable Contract/Video Streaming	2,123,669	2,116,109	7,560	0.4%	2,069,168	54,501	2.6%
Telephone & Communications	5,095,444	5,163,473	(68,029)	-1.3%	5,252,888	(157,444)	-3.0%
Professional Fees:							
Legal	1,477,316	1,035,000	442,316	42.7%	3,848,702	(2,371,386)	-61.6%
Consulting	2,964,985	1,957,035	1,007,950	51.5%	2,983,885	(18,900)	-0.6%
TOTE Expense	1,945,802	2,078,682	(132,880)	-6.4%	2,081,343	(135,541)	-6.5%
Rentals & Leases	2,365,468	2,232,468	133,000	6.0%	2,191,468	174,000	7.9%
Repairs & Maintenance	5,359,665	4,875,060	484,605	9.9%	4,706,060	653,605	13.9%
Insurance	5,961,854	5,243,646	718,208	13.7%	5,038,211	923,643	18.3%
Sponsorship Expenses	340,925	420,882	(79,957)	-19.0%	420,884	(79,959)	-19.0%
Promotions	9,609	2,079,968	(2,070,359)	-99.5%	1,281,237	(1,271,628)	-99.3%
Marketing & Advertising	3,192,985	3,196,776	(3,791)	-0.1%	2,453,733	739,252	30.1%
Customer Relations	657,565	632,517	25,048	4.0%	349,221	308,344	88.3%
Charitable Contributions	1,160,385	1,170,242	(9,857)	-0.8%	1,062,912	97,473	9.2%
Bad Debt Expense	320,672	0	320,672	100.0%	1,405,407	(1,084,735)	-77.2%
Other Expenses	2,381,757	1,985,356	396,401	20.0%	2,622,568	(240,811)	-9.2%
TOTAL OPERATING EXPENSES	121,421,819	117,867,442	3,554,377	3.0%	116,568,330	4,853,489	4.2%
OPERATING INCOME	42,175,934	42,762,803	(586,869)	-1.4%	43,002,964	(827,030)	-1.9%
NON-OPERATING EXPENSES							
Retiree Benefits	6,337,950	6,694,023	(356,073)	-5.3%	8,015,994	(1,678,044)	-20.9%
Pension	3,023,250	6,223,914	(3,200,664)	-51.4%	5,469,003	(2,445,753)	-44.7%
Interest Expense	204,743	184,586	20,157	10.9%	380,013	(175,270)	-46.1%
Depreciation	2,423,544	2,719,271	(295,727)	-10.9%	1,411,854	1,011,690	71.7%
Income Tax Expense	(18,208,857)	0	(18,208,857)	-100.0%	27,439	(18,236,296)	-66461.2%
TOTAL NON-OPERATING EXPENSE	(6,219,370)	15,821,794	(22,041,164)	-139.3%	15,304,303	(21,523,673)	-140.6%
NET INCOME/(LOSS)	48,395,304	26,941,009	21,454,295	79.6%	27,698,661	20,696,643	74.7%

THE NEW YORK RACING ASSOCIATION, INC.
Balance Sheet
For the Periods Ending September 30, 2013 and December 31, 2012
(Unaudited)

	09/30/13	12/31/12	Variance
ASSETS			
CURRENT ASSETS			
Cash - vault	\$5,241,225	\$4,407,025	\$834,200
Cash and cash equivalents	8,025,522	15,170,043	(7,144,521)
Restricted cash:			
Restricted cash - Horsemen	24,909,452	17,134,959	7,774,493
Restricted cash - Account Wagering	3,196,175	2,959,471	236,704
Restricted cash - NY Stallion	963,726	897,393	66,333
Restricted Cash - VLT Capital Account	9,496,476	4,837,223	4,659,253
Restricted Cash - Centerplate Deposit	3,093,371	0	3,093,371
Restricted Cash - Purse Support	447	285	162
Restricted - Other	630,000	1,690,000	(1,060,000)
Accounts receivable	34,301,566	20,279,367	14,022,199
Less reserve for bad debts	(4,014,605)	(4,205,252)	190,647
Deferred Tax Asset - Current	6,623,883	0	6,623,883
Prepaid and Other Assets	6,796,823	4,514,690	2,282,133
	99,264,061	67,685,204	31,578,857
FIXED ASSETS			
Leasehold & Building Structure Improvements	25,110,521	21,916,683	3,193,838
Furniture, Fixtures, & Equipment	20,331,960	13,264,299	7,067,661
Vehicles	3,704,406	3,312,670	391,736
Computer Equipment	263,057	159,086	103,971
Software	831,750	311,193	520,557
Construction-in-progress	10,369,258	9,373,143	996,115
	60,610,952	48,337,074	12,273,878
Less accumulated depreciation	(14,751,178)	(12,333,626)	(2,417,552)
	45,859,774	36,003,448	9,856,326
OTHER ASSETS			
Deferred outflows of resources	15,616,003	1,234,495	14,381,508
	13,681,000	13,681,000	0
TOTAL ASSETS	174,420,838	118,604,147	55,816,691
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Horsemen's liability	24,909,452	17,134,959	7,774,493
NYRA Rewards liability	3,214,771	2,959,471	255,300
Stallion Series deferred income	963,726	897,393	66,333
Stakes and purses	8,624,539	4,034,453	4,590,086
Accounts payable	1,467,214	4,003,722	(2,536,508)
Accrued expenses	20,984,978	15,906,319	5,078,659
Accrued environmental liabilities	178,477	2,252,146	(2,073,669)
Centerplate Deposit	3,093,371	0	3,093,371
Accrued pension costs, current portion	123,277	2,180,000	(2,056,723)
Accrued postretirement obligations, current portion	2,980,402	0	2,980,402
Capital leases and installment notes, current portion	350,435	100,640	249,795
Outstanding pari-mutuel tickets	1,891,803	1,893,944	(2,141)
Outstanding CashCards and vouchers	1,078,785	988,614	90,171
Statutory payables	795,704	1,066,977	(271,273)
Deferred income	654,176	458,754	195,422
Loan payable - current portion	6,910,208	11,260,000	(4,349,792)
	78,221,318	65,137,392	13,083,926
LONG TERM LIABILITIES			
Accrued pension costs, net of current portion	29,714,636	29,714,636	0
Accrued postretirement obligations, net of current portion	26,075,925	26,075,925	0
Loan payable	0	5,816,791	(5,816,791)
Capital leases and installment notes, net of current portion	340,891	190,641	150,250
Deferred inflows of resources	6,343,000	6,343,000	0
Other	2,233,667	2,233,667	0
	64,708,119	70,374,660	(5,666,541)
Total liabilities	142,929,437	135,512,052	7,417,385
EQUITY			
Retained earnings	(16,903,904)	(48,026,360)	31,122,456
Current profit/(loss)	48,395,305	31,118,455	17,276,850
	31,491,401	(16,907,905)	48,399,306
TOTAL LIABILITIES AND EQUITY	174,420,838	118,604,147	55,816,691

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The New York Racing Association, Inc.

2014 Operating and Capital Budget

Management Discussion and Analysis



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FORWARD LOOKING STATEMENT

The factors affecting NYRA's financial condition are complex. This document contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time they were prepared. Since many factors may materially affect fiscal and economic conditions for NYRA, the inclusion in this document of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. Forecasts, projections and estimates are not intended as representations of fact or guarantees of results. The words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” and analogous expressions are intended to identify forward-looking statements in this document. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of NYRA.

EXECUTIVE SUMMARY

2014 is an important year for NYRA as we prepare for re-privatization in 2015. One important step on that path is to create a stronger financial platform and a business plan that will work on a going-forward basis. This is reflected in our budget for 2014.

During its bankruptcy, NYRA made a land transfer transaction in exchange for VLT monies to be used for purses, capital expenses and operations. As we look forward to NYRA's future, we intend to operate our business more efficiently and effectively. We intend to use VLT operating monies to invest in revenue generating initiatives rather than using those funds to pay for operating deficits.

For 2014, we will examine each area of business, have a disciplined focus on cost reduction and proactively manage our allocation of revenue, aligned with the commitment to generate a fiscally viable foundation. We project an operating profit of \$250,000 exclusive of VLT operating funds, compared to a loss of \$10.5 million in 2013. (*See Exhibit 1 - Operating Income From Racing Operations*)

To achieve this goal, we have identified a number of strategic initiatives to grow revenues and cut expenses in 2014 to drive this significant turnaround. On the revenue side, we are looking at new funding opportunities for customers with MoneyGram as well as an enhanced ADW technology platform with potential for true Customer Resource Management in the future. NYRA also plans to increase prices for admissions, box seats and parking (which has not been done for a number of years), increase the amount charged for NYRA's simulcast signal, and enhance efforts to increase sponsorship revenue. Another strategic focus to drive revenue will be on improvements to the on-track experience which will include the opening of Longshots at Aqueduct, as well as continued improvements at all three racetracks.

NYRA is also focused on reducing operating expenses. In this regard, NYRA plans to close Aqueduct's training center during non-racing months, reduce legal expenses, reduce costs related to NYRA's phone wagering operation, reduce overall labor expense and improve efficiency throughout the organization. NYRA expects to invest in certain strategic hires and in long term planning to allow for sustained growth in the future.

Risks to achieving the operating budget

There are risks to achieving the operating budget including potential increases in union costs. NYRA is currently out of contract with 6 unions (under negotiations). As reflected in Exhibit 5, the union costs is very high and future increased costs pose a risk. Other risks include weather, impact of legislation, competitive pressures from external ADWs and the successful changes to NYRA's ADW, success of marketing/sponsorship initiatives, success of other strategic initiatives, the continued stability of the New York OTB network (i.e. Suffolk bankruptcy and other struggles) and effect of price increases among others.

Including the VLT operating monies, we project operating income of \$23.7 million. Using that balance to pay for retiree benefits and pension expense at \$12.5 million and income tax expense at \$13 million leaves a deficit of \$1.8 million. Therefore, although NYRA will be operating at a profit of \$250,000 before VLT operating monies, due to the high cost of retiree benefits and pension cost along with income taxes, NYRA will operate at a deficit with VLT operating monies.

Capital Expenditures

NYRA expects to receive \$31.3 million of VLT capital monies in 2014. The 2014 Capital Budget totals \$23.2 million which includes projects that will continue to improve the customer experience at all three racetracks, improve the quality of life and the safety of backstretch workers and improve the infrastructure of the tracks. Major capital spending includes the purchase of security cameras for all barns at Belmont, a new barn at Belmont, the installation of infield video displays at Belmont, design of a permanent At The Rail structure at Saratoga, barn area improvements, track and infield upgrades, patron area upgrades, improvements in camera angles and sounds for enhanced simulcast customer experience and additional upgrades to old fleet equipment. The investment in the barn area plus track and infield upgrades is expected to result in operating expense reductions in 2014 and future years. \$3.1 million of 2013 projects carried over to 2014 primarily consist of the construction of dorms at Belmont, costs associated with the completion of Longshots and miscellaneous upgrades to the patron area and track and field at all three tracks.

Purses

NYRA expects to receive a \$58.1 million of VLT purse monies which will be used to fund purses.

HANDLE ANALYSIS

Handle is expected to increase approximately 1.5% compared to 2013. Increases are expected as a result of the opening of Longshots at Aqueduct, new funding opportunities (MoneyGram), an enhanced NYRA Rewards internet platform, a medicine rule change for Mid-Atlantic States consistent with New York medicine rules and increased out of state export handle. Decreases in handle offsetting a portion of these increases include the projected impact the ADW source market fee legislation will have on out of state export handle and an assumed reduction in the number of races during the Aqueduct Winter meet.

NYRA has scheduled 250 race days in 2014. In 2013, NYRA cancelled 5 days due to weather with one more expected in the 4th Quarter of 2013 and 6 days for non-weather related reasons for equine safety. In 2014, NYRA expects to cancel 7 days due to weather and 4 due to non-weather reasons (not scheduled).

The projected opening of Longshots by April 2014 is expected to increase handle by \$9 million. Implementation of new funding opportunities for NYRA Rewards customers (MoneyGram) is projected to begin before the end of 2013 and is expected to increase internet and phone handle by \$5.7 million in 2014. Enhancements to the NYRA Rewards internet wagering platform, assumed to be completed by the start of the 2014 Saratoga meet, is expected to increase internet handle \$4.1 million. In late 2012, a medication rule change in New York which extended the period of time trainers are allowed to administer the medication Clenbuterol to horses from three days to fourteen days went into effect, significantly impacting the number of horses shipped in to New York during the 2013 Aqueduct Winter and Belmont Spring meets. A similar change in the medication rules is expected for Mid-Atlantic States by January 1, 2014 allowing NYRA to potentially recapture a portion of the horses previously lost. The budget assumes an expected recapture of one third of shippers and handle totaling \$11.9 million due to this rule change. NYRA expects a \$12.0 million handle increase and \$372,000 net revenue increase from out of state export sites based on 2013 handle trends. As a result of the ADW source market fee legislation NYRA expects a decrease in out of state ADW handle totaling \$7.7 million and a decrease in net revenue totaling \$216,000.

Aqueduct Winter Meet (January 1st through April 19th)

- There are 74 days scheduled for the 2014 Aqueduct Winter Meet, which includes 6 weather related cancellations and 4 non-weather related cancellations (scheduled) compare to 5 weather related cancellations and 6 non-weather related cancellations in 2013. Total handle during the meet is projected to increase \$14.6 million or 3% compared to 2013 primarily due to two additional race days (\$6.0 million), increase from Mid-Atlantic medicine rule change (\$6.5 million), an increase from out of state export (\$3.4 million) and an increase attributable to enhanced funding through MoneyGram (\$1.6 million) partially offset by miscellaneous handle adjustments (\$2.9 million).

Belmont Spring Meet (April 25th through July 13th)

- There are 57 days scheduled for the 2013 Belmont Spring Meet, one additional day than the 2013 meet. Total handle is projected to increase \$13.3 million or 2% primarily due to one extra race day (\$5.0 million), an increase from the Mid-Atlantic medicine rule change (one third recapture or \$5.4 million), an increase associated with the opening of Longshots at Aqueduct (\$2.2 million), an increase from enhanced funding through MoneyGram (\$1.3 million) and an increase from out of state exports (\$2.2 million), partially offset by a decrease associated with NY OTB's and instate tracks (\$1.1 million) and miscellaneous handle adjustments (\$1.7 million).

Saratoga Meet (July 18th through September 1st)

- There are 40 days scheduled for the 2014 Saratoga Meet, the same amount of days as the 2013 meet. Total handle during the Saratoga Meet is projected to increase \$5.1 million or 1% primarily due to an increase associated with the opening of Longshots at Aqueduct (\$1.5 million), projected increases in internet/phone wagering associated with increased funding opportunities (\$1.0 million), out of state wagering (\$2.3 million) and increases associated with the enhanced NYRA Rewards internet platform (\$1.6 million) partially offset by a decrease associated with NY OTB's and instate tracks (\$1.3 million).

Belmont Fall Meet (September 6th through October 26th)

- There are 37 days scheduled for the Belmont Fall Meet, the same amount of days as the 2013 meet. Total handle during the Belmont Fall Meet is projected to increase \$5.3 million or 2% primarily due to an increase associated with the opening of Longshots at Aqueduct (\$1.3 million), projected increases in internet/phone wagering associated with increased funding opportunities (\$800,000), out of state wagering (\$2.4 million) and increases associated with the enhanced NYRA Rewards internet platform (\$1.2 million) partially offset by a decrease associated with NY OTB's and instate tracks (\$400,000).

Aqueduct Fall Meet (October 31st through December 31st)

- There are 42 days scheduled for the 2014 Aqueduct Fall Meet, one less day than scheduled for the 2013 meet. Both the budget and forecast assume one scheduled race day will be cancelled due to weather. Total handle during the meet is projected to remain flat at \$328.4 million primarily due to an increase associated with the opening of Longshots at Aqueduct (\$4.0 million), projected increases in internet/phone wagering associated with increased funding opportunities (\$1.0 million), out of state wagering (\$1.7 million) and increases associated with the enhanced NYRA Rewards internet platform (\$1.3 million), partially offset by a decrease associated with one less race day (\$6.0 million), a decrease from NY OTB's and instate tracks (\$1.4 million) and a decrease from miscellaneous handle adjustments (\$600,000).

NYRA HANDLE AND OTHER RELEVANT STATISTICS

2014 BUDGET COMPARED TO 2013 FORECAST

HANDLE Live On-Track, Export, Import

(In thousands)	FORECAST 2013	% Share	BUDGET 2014	% Share	% BUDGET 2014 vs. FORECAST 2013
<u>AQUEDUCT WINTER</u>					
Race dates	66		68		3.0%
Live	\$57,408	11%	\$60,814	11%	5.9%
Export	\$372,874	70%	\$382,691	70%	2.6%
Import	\$102,919	19%	\$104,027	19%	1.1%
Total Handle	\$533,267	100%	\$547,599	100%	2.7%
<u>BELMONT SPRING</u>					
Race dates	56		57		1.8%
Live	\$78,474	12%	\$82,275	12%	4.8%
Export	\$496,478	77%	\$503,593	77%	1.4%
Import	\$69,969	11%	\$72,339	11%	3.4%
Total Handle	\$644,977	100%	\$658,264	100%	2.1%
<u>SARATOGA</u>					
Race dates	40		40		0.0%
Live	\$148,989	23%	\$151,269	24%	1.5%
Export	\$446,467	70%	\$447,211	70%	0.2%
Import	\$39,775	6%	\$41,831	7%	5.2%
Total Handle	\$635,272	100%	\$640,351	100%	0.8%
<u>BELMONT FALL</u>					
Race dates	37		37		0.0%
Live	\$42,486	13%	\$43,826	13%	3.2%
Export	\$257,669	76%	\$259,547	76%	0.7%
Import	\$37,652	11%	\$39,686	12%	5.4%
Total Handle	\$337,844	100%	\$343,095	100%	1.6%
<u>AQUEDUCT FALL</u>					
Race dates	42		41		-2.4%
Live	\$43,516	13%	\$44,750	14%	2.8%
Export	\$240,724	73%	\$236,270	72%	-1.9%
Import	\$44,170	13%	\$47,361	14%	7.2%
Total Handle	\$328,452	100%	\$328,422	100%	0.0%
<u>TOTAL</u>					
Race dates	241		243		0.8%
Live	\$370,872	15%	\$382,934	15%	3.3%
Export	\$1,814,213	73%	\$1,829,311	73%	0.8%
Import	\$294,485	12%	\$305,243	12%	3.7%
Total Handle	\$2,479,570	100%	\$2,517,731	100%	1.5%

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

DAILY AVERAGE HANDLE

Live On-Track, Export, Import

(In thousands)

	FORECAST 2013	BUDGET 2014	% BUDGET 2014 vs. FORECAST 2013
<u>AQUEDUCT WINTER</u>			
Live	\$870	\$894	2.8%
Export	\$5,650	\$5,628	-0.4%
Import	\$911	\$921	1.1%
Total Handle	\$7,430	\$7,443	0.2%
<u>BELMONT SPRING</u>			
Live	\$1,401	\$1,443	3.0%
Export	\$8,866	\$8,835	-0.3%
Import	\$833	\$861	3.4%
Total Handle	\$11,100	\$11,140	0.4%
<u>SARATOGA</u>			
Live	\$3,725	\$3,782	1.5%
Export	\$11,162	\$11,180	0.2%
Import	\$865	\$909	5.2%
Total Handle	\$15,751	\$15,871	0.8%
<u>BELMONT FALL</u>			
Live	\$1,148	\$1,184	3.2%
Export	\$6,964	\$7,015	0.7%
Import	\$685	\$722	5.4%
Total Handle	\$8,797	\$8,921	1.4%
<u>AQUEDUCT FALL</u>			
Live	\$1,036	\$1,091	5.3%
Export	\$5,732	\$5,763	0.5%
Import	\$736	\$789	7.2%
Total Handle	\$7,504	\$7,644	1.9%
<u>TOTAL</u>			
Live	\$1,539	\$1,576	2.4%
Export	\$7,528	\$7,528	0.0%
Import	\$813	\$843	3.7%
Total Handle	\$9,880	\$9,947	0.7%

ADDITIONAL HANDLE DETAIL

On-Track Handle by Content

	2014	2013	Change	
	BUDGET	FORECAST	\$	%
NYRA ON-TRACK HANDLE				
NYRA LIVE	\$382,933,559	\$370,871,868	\$12,061,691	3.3%
IMPORTS	305,242,800	294,485,037	10,757,763	3.7%
TOTAL NYRA ON-TRACK HANDLE	\$688,176,359	\$665,356,905	\$22,819,455	3.4%

- Total on-track handle for 2014 is projected to increase \$22.8 million or 3% to \$688.2 million. On-track handle on NYRA races is expected to increase \$12.1 million or 3% to \$382.9 million. Import handle is projected to increase \$10.8 million or 4% to \$305.2 million.

NYRA Rewards Account Wagering Handle

	2014	2013	Change	
	BUDGET	FORECAST	\$	%
NYRA REWARDS ACCOUNT WAGERING HANDLE	\$270,773,242	\$258,894,450	\$11,878,792	4.6%

- **Account Wagering:** Total account wagering handle through the NYRA rewards program is projected to increase \$11.9 million or 5% to \$270.7 million, primarily resulting from enhancements to the NYRA Rewards internet platform as well as increased funding opportunities associated with MoneyGram that will allow customers to fund accounts at a multitude of locations throughout New York.

**REVENUE FOR 2014 BUDGET COMPARED TO 2013 FORECAST
CURRENT RACING OPERATIONS (VLT REVENUE NOT INCLUDED)**

RACING RELATED REVENUE

(in thousands)

	2014	2013	Change	
	Budget	Forecast	\$	%
On-track	\$121,262	\$117,900	\$3,362	2.9%
Export revenue	103,984	102,430	1,554	1.5%
New York OTB	27,130	27,195	(65)	(0.2%)
Sub-total gross pari-mutuel revenue	\$252,375	\$247,525	\$4,851	2.0%
less: Statutory and Other				
Rewards Rebate	\$3,800	\$3,627	\$173	4.8%
Stakes & Purses	107,337	103,696	3,641	3.5%
Other statutory payments	17,125	16,684	442	2.6%
Sub-total Statutory and Other	\$128,262	\$124,007	\$4,255	3.4%
Net wagering revenue	\$124,113	\$123,518	\$595	0.5%
Other revenue, net	\$16,062	\$12,024	\$4,038	33.6%
On-track racing related revenue, net	15,255	12,988	2,267	17.5%
Net Revenue From Racing Operations	\$155,429	\$148,529	\$6,900	4.6%

Wagering Revenue is expected to increase based on handle increases previously discussed:

- **On-track Wagering Revenue:** On-track Wagering Revenue in 2014 is projected to increase \$3.4 million or 3% to \$121.3 million, primarily reflecting increases associated with the opening of Longshots, increased funding opportunities for NYRA Rewards customers and enhancements to the NYRA Rewards internet platform. The increase in on-track wagering revenue is in-line with the projected handle increase.
- **Export Revenue:** Export Revenue in 2014 is projected to increase \$1.6 million or 2% compared to 2013 forecast expectations primarily due to an increase in the amount charged for accepting NYRA's simulcast signal and is in-line with the 2014 handle projections.
- **New York OTB Revenue:** Please see discussion on page 12.
- **Stakes & Purses-Pari-mutuel:** Accrued purse expense on pari-mutuel wagering for 2014 is projected to increase \$3.6 million or 4% to \$107.3 million primarily due to the increase in gross pari-mutuel wagering revenue as well as impact by the share in new ADW source market fee revenue.
- **Rewards Rebate:** The Rewards Rebate expense is a rebate awarded to NYRA Rewards customers reaching certain wagering levels. The Rewards Rebate expense in 2014 is projected to increase \$173,000 or 5% to \$3.8 million based on the projected increase in account wagering handle associated with increased funding opportunities and enhancements to the NYRA Rewards internet platform.

- **Other Statutory Payments:** Other statutory payments, which include pari-mutuel taxes, NYS Gaming Commission Regulatory fees, simulcasting tax and breeder's fund commission that are payable based on on-track handle is projected to increase \$442,000 or 3% to \$17.1 million which is in line with the on-track revenue increase.

Other Racing Related Revenue: In addition to handle increases, NYRA has budgeted higher revenue associated with an increase in admissions, box seats and parking prices, an expected increase in sponsorship revenue and projected revenue earned from ADW source market fee legislation.

- **Other Revenue:** Other Revenue which consists of sponsorships, group sales events, content fees, decoder rentals, ADW source market fees, facility/parking space rentals, ATM fees and other miscellaneous revenue is projected to increase \$4.0 million or 34% to \$16.1 million in 2014. The increase in other revenue is primarily due to expected ADW source market fee revenue (\$3.0 million) and increased sponsorship revenue (\$1.3 million) partially offset by a decrease in content fees (\$585,000). The decrease in content fees is attributable to NYRA's strategic approach of including content fees within the host fees charged for displaying NYRA's simulcast signal.
- **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 \$2.3 million or 18% to \$15.3 million in 2014. The increase in on-track racing related revenue is primarily attributable to NYRA's strategic initiative to increase admissions, box seat and parking prices (which has not been done for a number of years).

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 decrease slightly by \$65,000 or 0.2% to \$27.1 million. The decrease is attributable to projected decreases in revenue received on NYRA races (\$100,000 or 1%), contractual revenue (\$46,000 or 2%) and partially offset by a slight increase in revenue received on out of state races (\$81,000 or 1%) as illustrated in the chart below. Projections were based on recent trends throughout the New York OTB network and adjusted to reflect the additional race days and impact of the Mid-Atlantic medicine rule change.

New York OTB Gross Revenue				
(in thousands)				
<i>Twelve Months Ended December 31</i>	2014	2013	Change	
NYRA Races	Budget	Forecast	\$	%
Nassau Regional OTB	\$4,264	\$4,315	(\$51)	-1.2%
Suffolk District OTB	2,583	2,614	(31)	-1.2%
Capital OTB	2,102	2,103	(1)	0.0%
Catskills OTB	1,399	1,416	(17)	-1.2%
Western Regional OTB	786	786	0	0.0%
Total NYRA Revenue NY OTB's	\$11,134	\$11,234	(\$100)	-0.9%
OUT-OF-STATE RACES				
Nassau Regional OTB	\$4,774	\$4,764	\$10	0.2%
Suffolk District OTB	2,070	2,066	4	0.2%
Capital OTB	3,059	3,018	41	1.4%
Catskills OTB	1,637	1,633	4	0.2%
Western Regional OTB	1,658	1,636	22	1.3%
TOTAL NON-NYRA REVENUE NY OTB'S	\$13,198	\$13,117	\$81	0.6%
CONTRACT				
Nassau Regional OTB	\$931	\$950	(\$19)	-2.0%
Suffolk District OTB	461	471	(10)	-2.1%
Capital OTB	894	903	(9)	-1.0%
Catskills OTB	276	282	(6)	-2.1%
Western Regional OTB	236	238	(2)	-0.8%
TOTAL CONTRACT REVENUE NY OTB'S	\$2,798	\$2,844	(\$46)	-1.6%
TOTAL				
Nassau Regional OTB	\$9,969	\$10,029	(\$60)	-0.6%
Suffolk District OTB	5,114	5,151	(37)	-0.7%
Capital OTB	6,055	6,024	31	0.5%
Catskills OTB	3,312	3,331	(19)	-0.6%
Western Regional OTB	2,680	2,660	20	0.8%
TOTAL REVENUE NY OTB'S	\$27,130	\$27,195	(\$65)	-0.2%

**OPERATING EXPENSES FOR THE 2014 BUDGET
COMPARED TO 2013 FORECAST**

The following table is a summary of operating expenses for the 2014 budget compared to the 2013 forecast.

OPERATING EXPENSES

(in thousands)

	2014	2013	Change	
	Budget	Forecast	\$	%
Salaries and Wages	\$63,375	\$63,024	\$350	0.6%
Benefits and Payroll Taxes	22,945	22,266	679	3.0%
Travel	2,863	2,686	177	6.6%
Operating Supplies	2,862	2,934	(72)	(2.4%)
Utilities	6,978	7,378	(400)	(5.4%)
Temporary Help	3,236	3,235	1	0.0%
Outside Services	8,671	8,291	380	4.6%
Cable Contract/Video Streaming	2,585	2,820	(235)	(8.3%)
Telephone & Communications	6,618	6,836	(218)	(3.2%)
Professional Fees:				
Legal Fees	1,570	2,146	(576)	(26.9%)
Consulting	3,474	3,562	(88)	(2.5%)
TOTE Expense	2,375	2,361	14	0.6%
Rentals & Leases	2,625	2,747	(122)	(4.4%)
Repairs & Maintenance	6,682	6,752	(70)	(1.0%)
Insurance	7,979	7,945	34	0.4%
Marketing & Advertising	4,292	4,175	117	2.8%
Charitable Contributions	1,384	1,553	(169)	(10.9%)
Bad Debt Expense	500	821	(321)	(39.1%)
Other Expenses	4,166	7,531	(3,365)	(44.7%)
Total Operating Expenses	\$155,179	\$159,062	(\$3,883)	(2.4%)

Total Operating Expenses – Total Operating Expenses for 2014 are projected to decrease \$3.9 million or 2% to \$155.2 million. The decrease in operating expenses is attributable to one-time expense charges in 2013 (union retroactive expenses, one-time rebate fees to OTB network, NYRA President transition and GASB conversion), as well as reductions in expenses associated with closing the Aqueduct training center during non-racing months, legal expense, costs associated with NYRA’s phone wagering operation, headcount adjustments and reductions related to changing certain service providers. These reductions are partially offset by a general increase in existing employee wages (some of which are mandated by collective bargaining agreements), an increase attributable to strategic and regulatory positions, costs associated with long term planning, costs associated with transporting international horses, the full year cost of Trakus and costs associated with the enhanced NYRA Rewards internet platform.

- **Salaries and Wages** – Salaries and Wages in 2014 are projected to increase \$350,000 or 1% to \$63.4 million. The increase is primarily attributable to a general increase in existing employee wages (some of which are mandated by collective bargaining agreements) and headcount to support strategic and regulatory objectives including a SVP of Racing, Chief Experience Officer, a Regulatory Veterinarian, and a Compliance Officer. The increase in salaries and wages is partially offset by decreases associated with closing the Aqueduct training center during non-racing months, and other strategic headcount adjustments as well as decreases in temporary help, consulting fees and legal fees.
- **Benefits & Payroll Taxes** – Benefits & Payroll Taxes are projected to increase \$679,000 or 3% to \$22.9 million. The increase is primarily due to contractual increases in union related benefit costs. *(See Exhibit 5 – Breakdown of Labor Expense)*
- **Travel** – Travel is projected to increase \$177,000 or 7% to \$2.9 million, primarily driven by a 5% increase in Saratoga per-diem rates for 2014. Saratoga per-diem expense represents 86% of total travel expense.
- **Utilities** – Utilities expense for 2014 is projected to decrease \$400,000 or 5% to \$7.0 million. The decrease is primarily attributable to closing the Aqueduct training center during non-racing months. The budget assumes a \$325,000 or 7% decrease in electric costs and a \$73,000 or 8% decrease in water costs. Gas expense is expected to be flat to the projected 2013 expense.
- **Outside Services** – Outside Services are projected to increase \$380,000 or 4% to \$8.7 million. The increase is primarily the result of an expected increase in transportation services related to the transportation of international horses (to promote an international racing day) and an increase associated with the full year impact of Trakus expense, partially offset by decreases in shared service expense, due to the full year impact of no longer outsourcing cleaning services through Genting (effective March 1, 2013).
- **Cable Contract/Video Streaming** – Cable Contract/Video Streaming expense is projected to decrease \$235,000 or 8% to \$2.6 million. The decrease is primarily attributable to an agreement with Monarch Content Management, LLC. to no longer charge for video streaming rights. The budget assumes the terms of the cable contract with the City of New York (set to expire June 16, 2014) will be extended one year.
- **Telephone and Communications** – Telephone and Communications expense is projected to decrease \$218,000 or 3% to \$6.6 million. The decrease is primarily due to an expected \$439,000 reduction in wagering data services expense associated with NYRA's phone wagering operation, as NYRA will seek reduced pricing alternatives, a \$228,000 decrease in interactive voice recognition (IVR) fees attributable to a change in provider and a \$100,000 decrease in telephone related expenses resulting from telephone upgrades offset by a \$533,000 increase associated with enhancements to the NYRA Rewards internet platform.

- **Professional Fees: Legal** –Legal fees are budgeted to decrease \$576,000 or 27% to \$1.6 million based on an overall effort to reduce outside legal expense.
- **Professional Fees: Consulting:** - Consulting fees are projected to decrease \$88,000 or 3% to \$3.5 million. The decrease is primarily related to a reduction in costs associated with outside audit, primarily related to one-time GASB conversion expense in 2013 (\$634,000 reduction), internal audit consulting (\$185,000 reduction) and miscellaneous reductions (\$69,000) offset by costs associated with long term planning consulting (\$800,000).
- **Tote Expense** – Tote Expense for 2014 is projected to increase \$14,000 or 1% to \$2.4 million. The budget assumes an expense increase of approximately \$104,000 due to the projected on-track handle increase of \$22.8 million offset by savings resulting from a reduced rate associated with the new tote provider (Amtote).
- **Rental and Leases** – Rental and Leases 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 2014 is projected to decrease \$122,000 or 4% to \$2.6 million. The decrease is primarily attributable to a decrease in Canon lease expense attributable to an expected reduction in overage charges.
- **Repairs and Maintenance** – Repairs and Maintenance for 2014 is projected to cost \$6.7 million, a decrease of \$70,000 or 1% compared to 2013. Major repairs and maintenance items included in this expense are fleet, elevator/escalator repair, plumbing and electrical, track maintenance, garbage and manure removal and maintenance service contracts.
- **Insurance** – Insurance is projected to slightly increase by \$34,000 or 0.4% to \$8.0 million. The budget assumes price adjustments to current cost for the major policies (most of which expire at the end of March 2014) offset by decreases in unemployment and workers compensation cost through better management and focus on safety.
- **Marketing** – Marketing expense for 2014 is projected to increase \$117,000 or 3% to \$4.3 million. The 2014 budget includes marketing initiatives including events for the week leading up to the Belmont Stakes, subway signage campaigns, enhanced advertising/promotions for “special calendar days” and enhanced marketing during the summer months. The increase in marketing expense is expected to be offset by increased revenue associated with the marketing initiatives (driving additional attendance, new guests and more handle).
- **Charitable Contributions** – Charitable Contributions are projected to decrease \$169,000 or 11% to \$1.4 million. Major charitable contributions are made to B.E.S.T. (Backstretch Employee Service Team), the Thoroughbred Retirement Foundation, Permanently Disabled Jockeys Fund, Racetrack Chaplaincy and Grayson-Jockey Club Research.
- **Bad Debt Expense** – Bad Debt Expense for 2014 is projected to decrease \$321,000 or 39% to \$500,000. The 2013 Bad Debt expense primarily includes NYRA Rewards customers related to bounced checks and other potential receivable write-offs.

- **Other Expenses** - Other Expenses are projected to decrease \$3.4 million or 45% to \$4.2 million. Other expenses include dues and subscriptions, bank charges, licenses and permits, printing and postage expense, outrider expense, customer relations and miscellaneous tax expense. The decrease in other expenses is primarily attributable to a \$260,000 reduction in bank charges associated with a change in ACH provider as well as the comparison to a 2013 one-time rebate of \$3 million to the New York OTB network.

DRAFT

VLT REVENUE & PURSES

VLT REVENUE

(in thousands)

	2014	2013	Change	
	Budget	Forecast	\$	%
Gross Based on WPM	\$782,210	\$789,320	(\$7,109)	-0.9%
Stakes and Purses	58,118	55,516	2,603	4.7%
Capital Fund	31,288	31,573	(284)	-0.9%
Operations	23,466	23,680	(213)	-0.9%
Gross VLT Revenue	\$112,873	\$110,768	\$2,105	1.9%
less: Stakes and Purses	\$58,118	\$55,516	\$2,603	4.7%
Net VLT Revenue	\$54,755	\$55,252	(\$498)	-0.9%

- VLT Revenue for 2014 is projected to be \$112.9 million, of which \$58.1 million is for stakes and purses, \$31.3 million for capital investment and \$23.5 million for operations. Projected VLT Revenue is based on 5,000 machines with a \$428 win per machine daily average. The budget assumes a win per machine rate consistent with 2013 trends. It should be noted that the \$2.6 million increase in Stakes and Purses is due to a legislatively mandated increase in the percentage retained (from 7.0% to 7.5%) that went into effect on October 28, 2013.
- Of significant note, NYRA is now obligated to pay federal income tax as all net operating losses have been utilized. NYRA's operating profit including VLT operating monies is projected to be \$23.7 million of which \$13 million will be used for tax and the remainder plus additional monies will be required to pay pension and retiree benefits.
- It should be noted that the Breeders Fund revenue of 1.50% of VLT gross is paid directly to the New York State Thoroughbred Breeding and Development Fund and is not reflected on NYRA financial statements.

(Also see VLT Sensitivity Analysis - Exhibit 4)

**NON-OPERATING EXPENSES FOR THE 2014 BUDGET
COMPARED TO 2013 FORECAST**

NYRA’s non-operating expenses primarily consist of employee legacy costs (pension and other post-retirement employee benefits “OPEB”), depreciation and income tax expense. The following table is a summary of these expenses budgeted for 2014 as compared to the 2013 forecast:

(in thousands)

	2014	2013	Change	
	Budget	Forecast	\$	%
Retiree Benefits	\$8,451	\$8,451	\$0	0.0%
Pension	4,031	4,031	0	0.0%
Interest Expense	13	237	(224)	(94.5%)
Depreciation	4,800	3,450	1,350	39.1%
Income Tax Expense	13,000	(15,209)	28,209	(185.5%)
Total Non-Operating Expenses	\$30,295	\$960	\$29,335	3055.7%

- **Retiree Benefits** - Retiree Benefits expense for 2014 is projected to remain flat at \$8.5 million as there is no expected change in discount rate.
- **Pension** – Pension expense for 2014 is projected to remain flat at \$4.0 million as there is no expected change in discount rate.
- **Interest Expense** – Interest Expense for 2014 is projected to decrease \$224,000 or 95% to \$13,000. The decrease is attributable to lower loan balances.
- **Depreciation** – Depreciation expense for 2014 is projected to increase \$1.4 million or 39% to \$4.8 million. The increase is attributable to new assets added due to increased capital spending.
- **Income Tax Expense** – Income Tax Expense for 2014 is projected to be \$13.0 million. The 2013 forecast includes a \$20 million release of the full valuation allowance against NYRA’s deferred tax assets as well as use of NYRA’s net operating losses (NOL’s), which are now fully utilized.

2014 CAPITAL SPENDING

For 2014, NYRA plans to invest \$23.2 million in capital improvements. These projects will enhance the customer experience, upgrade conditions within the barn area and increase NYRA's operational efficiency. Additionally, \$3.1 million in 2013 projects which primarily consist of the construction of dorms at Belmont and miscellaneous upgrades to the patron area and track and field at all three tracks is projected to be substantially completed in 2014.

(in thousands)	<u>2014</u> <u>BUDGET</u>
AQUEDUCT	
Group Sales/Dining	\$500
Barn Area Construction/Upgrades	270
Other Frontside Improvements	230
Patron Area Improvements	200
Track and Infield Upgrades	50
	1,250
BELMONT	
Barn Area Construction/Upgrades	6,185
Patron Area Improvements	2,900
Dorms	1,000
Other Frontside Improvements	780
Track and Infield Upgrades	350
Group Sales/Dining	280
	11,495
SARATOGA	
Patron Area Improvements	4,170
Barn Area Construction/Upgrades	1,810
Track and Infield Upgrades	800
Other Frontside Improvements	575
Group Sales/Dining	175
	7,530
NYRA TV	988
FLEET EQUIPMENT	1,495
INFORMATION TECHNOLOGY	249
MISCELLANEOUS	206
Total Proposed Capital Expenditures	\$23,213

Aqueduct

Patron Area Improvements

- Aqueduct has experienced a significant increase in foot traffic and wagering since the opening of Resorts World in 2011. Although a significant amount of improvements were made in 2013, there are further improvements planned, including completely refurbishing the restrooms on the third floor. Additionally, NYRA is planning to add security cameras in the building for the safety of patrons and employees and improve the clubhouse escalators.

Group Sales and Dining

- NYRA will invest in the completion of Longshots, a state of the art simulcast center scheduled to open by April 2014. The facility will have a capacity of 522 with two sections to be used exclusively for NYRA Rewards customers. The opening of Longshots is expected to bring in a new customer base that will significantly increase revenue. As part of the agreement with Resorts World, Resorts World will pay for \$5 million of the costs and NYRA will pay the excess costs, estimated at \$2 million of which \$1.7 million is in the 2013 capital budget.

Barn Area Construction/Upgrades

- In 2014, NYRA will invest in upgrades to the perimeter fencing around the barn area. The current fencing is rusting and in disrepair. Additionally, NYRA plans to add cameras in both the test barn and assembly barn to increase safety and fair competition among participants.

Belmont

Patron Area Improvements

- In 2014, NYRA will invest in several projects that will further improve the patrons' experience. These projects include significant television upgrades to flat screens throughout the building and backyard and adding a stage to the backyard, which can be used to attract bigger crowds and additional events. A large capital expenditure will be to purchase video screens that will be installed on existing trailers and placed on the infield, which will save the expense and wear and tear of moving the current video screens each time live racing moves. Additionally, there are plans to replace the roof above the Garden Terrace, which will eliminate roof leaks in the restaurant located on the 4th floor at Belmont. NYRA will finish upgrading the facility to meet ADA compliance, a project that was started in 2013. Similar to Aqueduct, security cameras will be installed throughout the building to enhance safety for both patrons and employees. In an effort to improve the experience for younger patrons, NYRA is looking at creating a park area near the 5/8th pole. This area can be used for tailgating while also giving patrons a very good view of the race from the backstretch. Finally, improvements to signage and the overall customer experience will be completed.

Barn Improvements

- Improvements to the barn area have been ongoing at Belmont. In 2014, NYRA will continue to replace barn roofs with long lasting metal, and remove asbestos where necessary, in order to reduce the amount of maintenance currently being experienced. These metal roofs come with a 40-year warranty, and are significantly cheaper than shingles. NYRA also plans to continue installing flowable fill concrete and replacing wooden catwalks with concrete in the front of each individual stall. Concrete catwalks will reduce the maintenance involved in barn upkeep and will increase the safety for the horses. In addition to the catwalks in front of the stalls, NYRA plans 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 bedding used, reduce manure removal expense and increase the safety and comfort of the horses. In an effort to ensure integrity, NYRA plans to install a barn area camera system, which would include cameras in the barns which can be monitored by security and stored for a thirty day period. A new barn will also be built to enhance available space that is created during peak times of the year.

Group Sales/Dining

- There are a few possible revenue producing capital improvements that are planned to occur at Belmont in 2014, including Top of the Stretch picnic expansion, upgrades to the Belmont Room, and Turf and Field upgrades. Adding two additional sections at the Top of the Stretch will help fill the demand for these areas during the peak spring meet. These sections will have synthetic grass, picnic tables, and grills for groups to rent out during live race days, and historically have been well received by patrons. The upgrades to both the Belmont Room and Turf and Field Club will include bar renovations, new carpeting and lighting upgrades to enhance the aesthetics of the rooms.

Track and Infield Upgrades

- In 2014, NYRA plans to invest in a few capital projects for the Belmont Track, Turf Courses, and Infield. These plans include installing a new Duralock rail on the Widener Turf Course and design/engineering work for a possible synthetic track installation at Belmont. The new rails, which have been installed on other surfaces at NYRA, are much easier to assemble and disassemble, saving labor costs as well as being safer for both horses and riders. The engineering work for the synthetic track will be used to properly design the surface and track layout in advance of installation.

Saratoga

Patron Area Improvements

- In 2014, NYRA will invest in improvements to enhance the customer experience at Saratoga. These improvements include the permanent installation of video walls, (which will save on transportation and maintenance costs), television upgrades, sound system improvements, restroom refurbishment, playground expansion, and design work for the At The Rail Building. The purchase of new video walls will save on transportation and maintenance costs of moving the boards from track to track. The television upgrades, which will include the box

seat area, backyard, and building, will replace the outdated tube style televisions with new HD flat screen models. The sound system overhaul will significantly improve the quality of the public address system for the race call, music, winners circle promotions and events and announcements throughout the course of the race day. The restrooms at Saratoga will be renovated to include new dispensers, new fixtures, and improve the overall look. An expanded playground will be a welcome addition for the many families who attend the races at Saratoga. As part of the long-term redevelopment plan, construction of a permanent “At The Rail” building near the clubhouse turn will be a great revenue generator over the current tents and temporary suites. In 2014, it is anticipated that the design and permitting phase will begin, with construction commencing in 2015. This building will ultimately house permanent suites on the top levels while maintaining a large area on the ground floor for parties, luncheons, and events.

Barn Area Construction/Upgrades

- In 2014, to provide better safety to the barn and surrounding area, NYRA plans to continue with dorm renovations, barn renovations, and electrical upgrades. These upgrades will also improve the quality of life for the backstretch residents. The barn upgrades will commence with the stall flooring projects that have worked well at Belmont, including rubber matting in the stalls. In 2013, temporary cameras were installed in the assembly barn and worked well. For 2014, NYRA plans to install permanent cameras in the assembly barn, as well as adding cameras in the test barn and other cameras based on utilization and effectiveness. As Saratoga is known for its beauty, investing in landscape improvements will go a long way to keep the inherent look of the grounds for both horsemen and patrons.

Track and Infield Upgrades

- In 2014, NYRA plans to upgrade irrigation of Mellon and Inner Turf courses. The improved irrigation of the two turf courses will extend the life and improve the conditions of them, which will lead to the ability to run more turf races throughout the meet and reduce labor costs.

Other Frontside Improvements

- In 2014, NYRA will invest in a portable chlorination system to ensure that the water quality at the racetrack is up to health standards even if town systems are not adequate. In addition, NYRA plans to install security cameras throughout the Grandstand and Clubhouse building for patron and employee safety.

Group Sales/Dining

- There are a few revenue producing capital improvements that are planned to occur at Saratoga in 2014, including expansion of the Porch restaurant and expansion of the NYRA store. Adding two additional rows of tables on the Porch will help fill the demand for this coveted area during the forty-day meet for both breakfast and lunch. The expansion of the NYRA store will allow for space to sell products that are made here in New York State, which will be a nice addition to the current gift shop.

Fleet Equipment

- Major spending during 2014 will include the purchase of used vehicles that will replace older vehicles currently requiring significant maintenance and upkeep, the purchase of a four wheel drive ambulance to provide better safety for the jockeys and exercise riders at Belmont and Aqueduct, and purchase of two new dump trucks for use by the facilities departments at Belmont and Saratoga. Additionally, NYRA is planning to purchase a new 16' mower for the turf course, while also buying out the leases to the WA150 loaders and 7215R tractors. NYRA Security is intending on purchasing two additional Chevrolet Equinoxes, which will complete the upgrade of their fleet.

Information Technology and NYRA TV

Information Systems

- In 2014, NYRA will invest in new equipment that will enhance both employee and patron experiences at all three locations. This equipment includes new computer equipment, which will replace aging units and will decrease the amount of equipment that is moved from each track; additional Wi-Fi access points, to better address the demand on big race days; IP phones, which will be replacements for the new cost-saving telephone technology that NYRA will be adopting; a Storage Area Network (SAN) for databases in order to replace the old technology that is at the end of its useful life; and a call recorder at Belmont, which will kick into use when there is a failure with our IVR system for phone wagering.

NYRA TV

- In 2014, NYRA TV will invest in new equipment that will enhance patron experiences at all three tracks and those watching the simulcast feed throughout the country. The purchase of high definition encoders will allow for HD distribution of the NYRA signal to the non-live tracks. Currently, only the live track has the capability of showing the HD signal, which is not ideal for those watching the simulcast at one of the other locations. An upgrade to the video server will increase the storage capacity, which is now needed due to the file sizes of the HD video. Improved camera angles and slow motion cameras for both live shots and replays will enhance the viewer experience of the feed. A high definition telestrator can be used during NYRA shows to point out intricacies to viewers watching at home.

LIQUIDITY

At December 31, 2014, NYRA projects to have roughly \$15.4 million of cash on hand (of which \$8.2 million is restricted for capital spending and \$3.5 million in the pari-mutuel vaults to support wagering activities).

2012-2014 CASH FLOW

(in thousands)

From Operations	Actual 2012	Actual/ Forecast 2013	Budget 2014
Operating Income (Does not include Capital)	\$15,651	\$13,874	\$23,716
Plus: accrued purses	147,656	160,267	165,456
Less: cash purses	(147,407)	(154,535)	(167,221)
Pension (cash)	(8,243)	(6,604)	(8,101)
OPEB (cash)	(5,416)	(5,178)	(5,400)
Loan Repayment (Operating Fund)	(3,668)	(5,921)	(1,477)
Income Taxes	0	0	(13,000)
Working Capital(1)	7,644	(11,216)	3,000
Free Cash Flow ("FCF")	\$6,217	(\$9,313)	(\$3,027)
Beginning Cash(2)	\$13,360	\$19,577	\$10,264
Ending Cash(2)	\$19,577	\$10,264	\$7,237
Vaults	\$4,407	\$3,500	\$3,500
Operating	\$15,170	\$6,764	\$3,737

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

From Capital Funds	Actual 2012	Actual/ Forecast 2013	Budget 2014
Capital Fund Revenue	\$26,903	\$34,373	\$32,212
Capital Expenditures (Current Year)	(12,316)	(22,254)	(23,213)
Capital Expenditures (Prior Years)	(1,030)	(5,775)	(3,147)
Loan Repayment (Cap Fund)	(5,171)	(7,894)	(1,969)
Working Capital	(6,655)	5,889	(4,900)
Free Cash Flow	1,731	4,339	(1,017)
Beginning Cash	3,107	4,838	9,177
Ending Cash	\$4,838	\$9,177	\$8,160
Total Operating Cash Plus Vault and Capital	\$24,415	\$19,441	\$15,397

- The 2014 cash flow model assumes funds from Resorts World based on a win per machine (WPM) of \$428 on 5,000 machines, which is based on 2013 actual trends.
- 2014 Funding for Capital Expenditures includes \$1 million based on Centerplate agreement.
- The loan is expected to be paid in full by April 2014.

EXHIBIT 1

Operating Income from Racing Operations

RACING RELATED REVENUE

(in thousands)

	2014	2013	Change	
	Budget	Forecast	\$	%
On-track	\$121,262	\$117,900	\$3,362	2.9%
Export revenue	103,984	102,430	1,554	1.5%
New York OTB	27,130	27,195	(65)	(0.2%)
Sub-total gross pari-mutuel revenue	\$252,375	\$247,525	\$4,851	2.0%
less: Statutory and Other				
Rewards Rebate	\$3,800	\$3,627	\$173	4.8%
Stakes & Purses	107,337	103,696	3,641	3.5%
Other statutory payments	17,125	16,684	442	2.6%
Sub-total Statutory and Other	\$128,262	\$124,007	\$4,255	3.4%
Net wagering revenue	\$124,113	\$123,518	\$595	0.5%
Other revenue, net	\$16,062	\$12,024	\$4,038	33.6%
On-track racing related revenue, net	15,255	12,988	2,267	17.5%
Net Revenue From Racing Operations	\$155,429	\$148,529	\$6,900	4.6%

OPERATING EXPENSES

Salaries and Wages	\$63,375	\$63,024	\$350	0.6%
Benefits and Payroll Taxes	22,945	22,266	679	3.0%
Travel	2,863	2,686	177	6.6%
Operating Supplies	2,862	2,934	(72)	(2.4%)
Utilities	6,978	7,378	(400)	(5.4%)
Temporary Help	3,236	3,235	1	0.0%
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Bad Debt Expense	500	821	(321)	(39.1%)
Other Expenses	4,166	7,531	(3,365)	(44.7%)
Total Operating Expenses	\$155,179	\$159,062	(\$3,883)	(2.4%)
Operating Income	\$250	(\$10,533)	\$10,783	(102.4%)

EXHIBIT 2

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 2014.

NYRA FRANCHISE FEE CALCULATION		
<u>ADJUSTED NET INCOME CALCULATION:</u>	(unaudited) 2013	(unaudited) 2014
Net Income	<u>\$43,759</u>	<u>\$24,710</u>
Adjustments:		
Depreciation	\$3,450	\$4,800
VLT Loan Repayment	(\$13,814)	(\$3,446)
Capital Expenditures	(\$28,089)	(\$26,360)
Principal Capital Lease Obligations	(\$409)	(\$409)
IRS Claim Principal Pmt	\$0	\$0
(A) ADJUSTED NET INCOME	<u><u>\$4,897</u></u>	<u><u>(\$705)</u></u>
<u>OPERATING CASH CALCULATION:</u>		
Available Cash:		
Cash & Cash Equivalents	\$10,264	\$18,435
Less:		
CASH -VAULT	<u>(\$3,500)</u>	<u>(\$3,500)</u>
Available Cash	<u>\$6,764</u>	<u>\$14,935</u>
Statutory Expenses per Budget	(\$124,463)	(\$127,574)
Operating Expenses per Budget	(\$158,979)	(\$162,953)
Non-operating Expenses per Budget	<u>(\$17,295)</u>	<u>(\$17,727)</u>
Total Operating Expenses per Budget	<u>(\$300,736)</u>	<u>(\$308,255)</u>
Daily Average (365 Days)	(\$824)	(\$845)
45 Days Operating Expenses per Budget	<u>(\$37,077)</u>	<u>(\$38,004)</u>
(B) OPERATING CASH	<u><u>(\$30,313)</u></u>	<u><u>(\$23,069)</u></u>
FRANCHISE FEE PAYMENT DUE	<u><u>\$0</u></u>	<u><u>\$0</u></u>

EXHIBIT 3

PURSE LIABILITY

As of December 31, 2013, the accrued but unpaid purse liability is projected to be \$9.8 million compared to \$4.0 million at December 31, 2012. Projections indicate payments to purses for 2014 will be approximately \$167.2 million, which includes an estimated \$58.1 million derived from VLT revenue received during 2014.

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 \$8.0 million on December 31, 2014.

Accrued but unpaid purses at 12/31/2013	<u>\$9,767</u>
Accrued Purses From Wagering Revenue in 2014	107,337
Purse Cash Payments From, Wagering Revenue in 2014	(109,105)
Accrued But Unpaid Purses From Wagering Revenue at 12/31/2014	<u>\$8,000</u>
Projected Accrued Purses From VLTs in 2014	58,118
Projected Cash Payments From VLTs in 2014	(58,118)
Total Projected Accrued But Unpaid Purses at 12/31/2014	<u><u>\$8,000</u></u>

EXHIBIT 4

VLT SENSITIVITY ANALYSIS

The following VLT sensitivity analysis shows the impact in VLT proceeds based on various Win Per Machine (WPM) levels. The 2014 budget assumes a \$428 WPM. The analysis will show that revenue will be impacted by approximately \$2.7 million for every \$10 change in WPM (\$1.4 million for purses, \$700,000 for capital investment and \$600,000 for operations). It should be noted that the debt service with Genting is expected to be paid in full by early April 2014.

(in thousands)

	<u>VLT Revenue @</u>		<u>Budget Projection</u>		<u>VLT Revenue @</u>	
	<u>\$408 WPM</u>	<u>\$418 WPM</u>	<u>VLT Revenue @</u> <u>\$428 WPM</u>	<u>\$438 WPM</u>	<u>\$448 WPM</u>	
Calculation of Total VLT Revenue (\$000's)						
Gross Daily Win Per Machine (WPM)	\$408	\$418	\$428	\$438	\$448	
VLT Units	5,003	5,003	5,003	5,003	5,003	
Days	365	365	365	365	365	
Gross VLT Revenue	\$745,047	\$763,308	\$782,210	\$799,830	\$818,091	
NYRA and Industry VLT Revenue (\$000's)						
Capital Fund	\$29,802	\$30,532	\$31,288	\$31,993	\$32,724	
Operating Fund	22,351	22,899	23,466	23,995	24,543	
Purse Fund	55,357	56,714	58,118	59,427	60,784	
Total	\$107,510	\$110,145	\$112,873	\$115,415	\$118,050	

REVENUE & HANDLE SENSITIVITY ANALYSIS

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

(in thousands)

	<u>2014 Budget</u>			<u>0.50% Handle Change</u>		<u>1.00% Handle Change</u>		<u>1.50% Handle Change</u>		<u>2.00% Handle Change</u>	
	<u>Handle</u>	<u>Net Revenue</u>	<u>Effective %</u>	<u>Handle</u>	<u>Net Revenue</u>	<u>Handle</u>	<u>Net Revenue</u>	<u>Handle</u>	<u>Net Revenue</u>	<u>Handle</u>	<u>Net Revenue</u>
On-track	\$695,095	\$67,238	9.67%	\$3,475	\$336	\$6,951	\$672	\$10,426	\$1,009	\$13,902	\$1,345
Export	\$1,829,311	\$61,650	3.37%	\$9,147	\$308	\$18,293	\$617	\$27,440	\$925	\$36,586	\$1,233
Total	\$2,524,406	\$128,888	5.11%	\$12,622	\$644	\$25,244	\$1,289	\$37,866	\$1,933	\$50,488	\$2,578

EXHIBIT 5

**THE NEW YORK RACING ASSOCIATION, INC.
Breakdown of Labor Expense
For the Twelve Months Ending December 31, 2014**

	<u>2014</u>
	<u>BUDGET</u>
Labor Expense	
OPERATING	
Non Union Salaries	\$29,573,901
Non Union Benefits & Payroll Taxes	\$6,196,620
% of Salaries	20.95%
Total Non Union Labor Expense	\$35,770,521
Non Union Headcount (Estimated FTE)	536
Average Cost Per Head	\$66,736
Union Salaries	\$33,800,643
Union Benefits & Payroll Taxes	\$16,748,462
% of Salaries	49.55%
Total Union Labor Expense	\$50,549,105
Union Headcount (Estimated FTE)	797
Average Cost Per Head	\$63,424
NON-OPERATING (Estimated for Active Union Employees)	
Pension	\$1,330,231
OPEB	\$2,788,699
Total	\$4,118,930
Adjusted Total Union Expense	\$54,668,035
Union Headcount (Estimated FTE)	797
Average Cost Per Head	\$68,592

EXHIBIT 6

2014 INDUSTRY PROJECTIONS

	<u>12 Months</u> <u>Ended 12/31/14</u>	<u>12 Months</u> <u>Ended 12/31/13</u>	<u>% Variance</u>
<u>Industry</u>			
Wagering on U.S. Races	\$11,088,616,888	\$10,997,941,074	0.8%
U.S. Purses	\$1,142,973,147	\$1,135,922,769	0.6%
U.S. Race Days	5,014	5,147	-2.6%
Handle Yield Per Purse Dollar Invested	\$9.70	\$9.68	0.2%
<u>NYRA</u>			
Wagering on NYRA Races	\$2,212,244,998	\$2,185,085,276	1.2%
NYRA Purses	\$165,455,611	\$159,212,111	3.9%
NYRA. Race Days	243	241	0.8%
Handle Yield Per Purse Dollar Invested	\$13.37	\$13.72	-2.6%
<u>NYRA as Percentage of Industry</u>			
Wagering on U.S. Races	20.0%	19.9%	
U.S. Purses	14.5%	14.0%	
U.S. Race Days	4.8%	4.7%	

- For 2014, NYRA estimates an increase of 1% in wagering on U.S. races and 3% decrease in race days compared to a 1% increase in wagering on NYRA races and a 1% increase in NYRA race days. NYRA projects that it will contribute 5% of total industry race days, offer 15% of purses and generate 20% of thoroughbred handle across the United States. NYRA projects that every dollar invested in purses at NYRA will yield \$13.37 in handle compared to \$9.70 industry-wide.

THE NEW YORK RACING ASSOCIATION, INC.
P&L - Summary of All Units - Summary Breakdown
For the Twelve Months Ending December 31, 2014
2014 Budget Compared to 2013 Forecast

	2014	2013		
	BUDGET	FORECAST	VARIANCE	VAR %
REVENUE				
On-Track take out	\$119,628,681	\$116,421,355	\$3,207,326	2.8%
On-Track breakage	1,633,245	1,478,263	154,982	10.5%
New York OTB	27,129,861	27,195,118	(65,257)	-0.2%
Intrastate simulcasting	4,073,571	4,109,310	(35,739)	-0.9%
Interstate simulcasting	97,518,218	96,053,021	1,465,197	1.5%
International simulcasting	2,391,882	2,267,771	124,111	5.5%
NYRA Rewards Rebate	(3,799,516)	(3,626,872)	(172,644)	4.8%
On track racing related revenue	15,254,622	12,987,895	2,266,727	17.5%
Other revenue	13,061,512	12,023,671	1,037,841	8.6%
ADW Source Market Fee	3,000,000	0	3,000,000	0.0%
VLT Revenue	112,872,936	110,767,989	2,104,947	1.9%
GROSS REVENUE	392,765,012	379,677,521	13,087,491	3.4%
STATUTORY PAYMENTS				
Stakes & Purses	107,337,391	103,696,499	3,640,892	3.5%
Stakes & Purses-VLT	58,118,220	55,515,612	2,602,608	4.7%
Pari Mutuel Tax	9,339,772	9,112,670	227,102	2.5%
Simulcasting Tax	359,160	339,087	20,073	5.9%
Breeding Fund	3,985,623	3,912,241	73,382	1.9%
NYS R&W Board	3,440,883	3,319,682	121,201	3.7%
TOTAL STATUTORY PAYMENTS	182,581,049	175,895,791	6,685,258	3.8%
NET REVENUE	210,183,963	203,781,730	6,402,233	3.1%
EXPENSES				
Salaries & Wages	63,374,544	63,024,045	350,499	0.6%
Payroll Taxes	4,921,150	5,060,680	(139,530)	-2.8%
Benefits	18,023,932	17,205,371	818,561	4.8%
Travel	404,845	326,230	78,615	24.1%
Saratoga Per Diem	2,458,246	2,360,267	97,979	4.2%
Operating Supplies	2,862,415	2,933,956	(71,541)	-2.4%
Utilities	6,977,800	7,377,955	(400,155)	-5.4%
Dues & Subscriptions	799,196	759,777	39,419	5.2%
Temporary Help	3,236,283	3,234,787	1,496	0.0%
Outside Services	8,671,418	8,290,958	380,460	4.6%
Cable Contract/Video Streaming	2,584,500	2,819,795	(235,295)	-8.3%
Telephone & Communications	6,617,586	6,835,800	(218,214)	-3.2%
Professional Fees:				
Legal	1,570,000	2,146,316	(576,316)	-26.9%
Consulting	3,474,130	3,561,886	(87,756)	-2.5%
TOTE Expense	2,374,910	2,360,898	14,012	0.6%
Rentals & Leases	2,624,800	2,746,934	(122,134)	-4.4%
Repairs & Maintenance	6,681,576	6,751,829	(70,253)	-1.0%
Insurance	7,978,989	7,944,867	34,122	0.4%
Sponsorship Expenses	626,750	349,925	276,825	79.1%
Promotions	389,100	127,359	261,741	205.5%
Marketing & Advertising	3,276,364	3,697,846	(421,482)	-11.4%
Customer Relations	789,940	841,915	(51,975)	-6.2%
Charitable Contributions	1,383,900	1,553,233	(169,333)	-10.9%
Bad Debt Expense	500,000	820,672	(320,672)	-39.1%
Other Expenses	2,576,854	5,928,997	(3,352,143)	-56.5%
TOTAL OPERATING EXPENSES	155,179,228	159,062,298	(3,883,070)	-2.4%
OPERATING INCOME	55,004,735	44,719,432	10,285,303	23.0%
NON-OPERATING EXPENSES				
Retiree Benefits	8,450,604	8,450,600	4	0.0%
Pension	4,031,004	4,031,000	4	0.0%
Interest Expense	13,059	237,397	(224,338)	-94.5%
Depreciation	4,800,000	3,450,444	1,349,556	39.1%
Income Tax Expense	13,000,000	(15,208,857)	28,208,857	-185.5%
TOTAL NON-OPERATING EXPENSE	30,294,667	960,584	29,334,083	3053.8%
NET INCOME/(LOSS)	24,710,068	43,758,848	(19,048,780)	-43.5%

2014 PROPOSED CAPITAL PROJECTS

(in thousands)

	2013 <u>Carryover</u>	2014 A's	2014 B's	Safety	Money <input type="checkbox"/> Saving	Revenue <input type="checkbox"/> Producing
AQUEDUCT						
Track & Infield Maintenance/Upgrades:						
Maintenance CAPEX		50				
	-	50	-			
Patron Area Improvements:						
Third Floor Restrooms		50				
Chairs for Carrels			50			
Box Seat Ceiling			150	X		
Video Wall Installation			25			
Exterior Sign			150			
Infield Video Boards	500					
Maintenance CAPEX		150				
	500	200	375			
Group Sales/Dining						
Longshots Overage		500				
	-	500	-			X
Barn Area Construction/Upgrades:						
Barn Roofs & Ventilation	100					
Cameras in Test Barn		20		X		
Cameras in Assembly Barns		50		X		
Ice Building/Machine	10					
Perimeter Fencing		50		X		
CAFO Sump		50				
Maintenance CAPEX		100				
	110	270	270			
Other Front side Improvements:						
Fire Marshall		100		X		
Step Chain - Escalator		30		X		
Security Cameras in Building		100		X		
	-	230	-			
Sub-total AQUEDUCT	610	1,250	645			

2014 PROPOSED CAPITAL PROJECTS

(in thousands)

	2013 <u>Carryover</u>	2014 A's	2014 B's	Safety	Money <input type="checkbox"/> Saving	Revenue <input type="checkbox"/> Producing
BELMONT						
Track & Infield Maintenance/Upgrades:						
Synthetic Surface			12,000	X		X
Tunnels			15,000	X		X
Track Design/Engineering for Synthetic		250				
Duralock Outer Rail - Widener Turf		100		X		
	-	350	27,000			
Barn Area Construction/Upgrades:						
Stall Flooring		350		X	X	
Catwalks		150		X	X	
Stall Walls		100		X	X	
Dorm/Cottage Renovations		250			X	
Barn Roof Abatement		1,000		X	X	
Cottage Boiler Room Door Replacement		30		X		
Fire Hydrant Replacement		25		X		
Fencing Replacement		30		X		
New Barn		1,500				
Cameras in all Barns		2,250		X		
Trees and Landscape Improvements			100			
Barn Windows			100	X	X	
Barn Area Lighting/Electric			100	X	X	
Backstretch Kitchen Furniture			50			X
Barn construction			2,000			
Pony Barn		300			X	
Maintenance Capex		200				
	-	6,185	2,350			
Dorms						
Belmont Dorms	2,000	1,000	-			
Patron Area Improvements:						
Televisions in Box Seat Area		100				X
Infield Video Displays - Trailers		1,600			X	
Televisions Upgrades		100				X
Garden Terrace Roof		200		X	X	
ADA Compliance		100		X		
Park Area In Backstretch Picnic Area		250				
Video Display - Hempstead Turnpike			200			X
Bus Stops in Pickup Locations			100	X		
Parking Banners / Signage			50	X		
Stage in Backyard		150				X
Restroom Renovations			100			
TV's in Handicapping Carrels			50			X
Marketing		200				X
Maintenance Capex		200				
	-	2,900	500			

2014 PROPOSED CAPITAL PROJECTS

(in thousands)

Other Frontside Improvements:

	2013 <u>Carryover</u>	2014 A's	2014 B's
Water Pump		80	
Cameras in Building		100	
Cooling Tower Piping		100	
Sprinkler Head Replacement		200	
Standpipe Replacement		50	
Rubberized Pavers in Walking Ring			150
Replacing Paddock Fencing			100
Hot Water Heater and Vent		250	
	-	780	250

Group Sales/ Dining

Top of the Stretch Picnic Expansion***		30	
Glass Sides Marquee Tent***			120
Players Club Expansion***			100
Belmont Room Upgrades***		150	
Turf and Field Upgrades***		100	
	-	280	220

Sub-total BELMONT

***Possible Centerplate Capital (Included in Sub-total)

	2,000	11,495	30,320
		280	220

Safety

Money Saving

Revenue Producing

X
X
X
X
X
X
X

X
X
X
X
X

X
X
X
X
X

2014 PROPOSED CAPITAL PROJECTS

(in thousands)

	2013	2014	2014			
	<u>Carryover</u>	A's	B's	Safety	Money <input type="checkbox"/> Saving	Revenue <input type="checkbox"/> Producing
SARATOGA						
Track & Infield Maintenance/Upgrades:						
New Inside and Outside Rail for Clare Court			100	X		
Irrigation for Mellon and Inner Turf Courses	250	800		X	X	X
	250	800	100			
Barn Area Construction/Upgrades:						
Ice Machine	50	50			X	X
Pony Barn		150				
Dorm Renovations (100, 101, Women's Dorm)		1,000			X	
Cameras in Test and Assembly Barn		50		X		
Barn Roofs	50					
Barn Area Electric		100				
Stall Flooring (1 and 2)		50				
Pods		50				
Sea Containers		10				
Trees and Landscape Improvements		100				
Transformers		50				
Storm Water Drainage			100		X	
Paving			100	X		
Build New Assembly Barn			350		X	
Maintenance CAPEX		200				
	100	1,810	550			
Patron Area Improvements:						
Backyard TV Upgrades		400				X
Building TV Upgrades		250				X
Sound System		300				X
Stairway Refurbishment		100				
Picnic Tables		20				X
Video Walls		300				X
TV's in Box Seat Area		100				X
Taste of NY Expansion		50				X
Restroom Upgrades		300			X	
Playground Expansion		50				
Maintenance Capex		200				
WiFi Upgrade		100				
Benches on Apron			100		X	
Design/Permits for At The Rail Building		2,000				X
	-	4,170	100			
Other Frontside Improvements:						
Portable Chlorination System		100		X		
Cameras in Building		200		X		
Elevator Refurbishment		25		X	X	
Fire Main Water Meter		50		X		
Stools for Mutuel Department		200			X	
Roof Paddock Mutuel			200	X		
	-	575	200			

2014 PROPOSED CAPITAL PROJECTS

(in thousands)

	2013	2014	2014			
	<u>Carryover</u>	A's	B's	Safety	Money <input type="checkbox"/> Saving	Revenue <input type="checkbox"/> Producing
Group Sales/ Dining						
Paddock Concrete Pad***		25				X
Porch Extension***		100				X
Expansion of NYRA Store***		50				X
	-	175	-			
Sub-total SARATOGA	350	7,530	950			
***Possible Centerplate Capital (Included in Sub-total)		175	-			

2014 PROPOSED CAPITAL PROJECTS

(in thousands)

	2013 <u>Carryover</u>	2014 A's	2014 B's	Safety	Money <input type="checkbox"/> Saving	Revenue <input type="checkbox"/> Producing
FLEET EQUIPMENT						
Maintenance						
Used Vehicles (S)		100				
Used Vehicles (B)		100				
4WD Ambulance		100		X		
Dump Truck (B)		100				
Dump Truck (S)		100				
Grader		100				
Broom for Skidsteer		10				
Rubber Tired Skidsteer			50			
Scanning Tool		5			X	
Loader with Coupler (S)		100				
	-	715	50			
Track						
16' Mower		100				
Salt Truck		50		X		
Roller/ Trackpacker (S)		30			X	
(2) Trackpackers (B)		60				
Refurbish Kimzey		35		X		
Lease Buyouts WA150 Loaders (A and B)		150			X	
Lease Buyouts 7215R (A and B)		180			X	
Zero-Turn Mower			20			
Vehicle for Vet Staff			30			
	-	605	50			
Vanning						
Replacement Tractor for EBY Trailer		100				
	-	100	-			
Security						
(2) Chevrolet Equinox		60				
	-	60	-			
Cleaning						
Used Vehicles		15				
John Deere Gator			20			
	-	15	20			
Parking & Admissions:						
(2) 37-Passenger Solar Power Trams			90			
Four Door Truck for Courtesy Services			25	X		
	-	-	115			
Sub-total FLEET	-	1,495	235			

2014 PROPOSED CAPITAL PROJECTS

(in thousands)

	2013	2014	2014			
	<u>Carryover</u>	A's	B's	Safety	Money <input type="checkbox"/> Saving	Revenue <input type="checkbox"/> Producing
NYRA TV						
Televisions for Set		3				
Blonder Tongue HD Encoder for AQU and BEL		27				
Video Server Upgrade: Additional Capacity		200				
Telestrator		8				X
Improved Camera Angles (Aerial View)		400				
Speakers Around Track (Improve Simulcast Coverage)		150				
Slow Motion Finish Line Camera		200				
Sub-total NYRA TV	-	988	-			

2014 PROPOSED CAPITAL PROJECTS

(in thousands)

	2013 <u>Carryover</u>	2014 A's	2014 B's	Safety	Money <input type="checkbox"/> Saving	Revenue <input type="checkbox"/> Producing
INFORMATION TECHNOLOGY						
ISD						
Desktops, Laptops, Printers		30				
WiFi Access Points		20				X
42" Monitors		2				
RSA Secure ID Appliance		12		X		
VPN Appliance		8				
CISCO Network Admission Control		8		X		
Orion Netflow Traffic Analyzer		3				
BEL and AQU Backstretch Phone Upgrade		6			X	
Switches for Backstretch Phones		15			X	
Intranet	22					
IP Phones		25			X	
Call Recorder Belmont for IVR Failover		40				X
Team Foundation Server Dev Platform		5				
SAN for Databases		60				
Uninterrupted Power Supply		4		X		
Saratoga Trakus Installation	150					
Sales Lead Generation Software	15					
Spare Switches		6				
System Metrics Agents		5				
	187	249	-			
Sub-total INFORMATION TECHNOLOGY	187	1,237	-			

2014 PROPOSED CAPITAL PROJECTS

(in thousands)

	2013	2014	2014			
	<u>Carryover</u>	A's	B's	Safety	Money <input type="checkbox"/> Saving	Revenue <input type="checkbox"/> Producing
SECURITY						
Radios		75			X	
Lockers		30		X		
Conference Chairs		3				
Guns		25		X		
Gun Cage		3		X		
Sub-total PARKING AND ADMISSIONS	-	136	-			

2014 PROPOSED CAPITAL PROJECTS

(in thousands)

	2013	2014	2014			
	<u>Carryover</u>	A's	B's	Safety	Money <input type="checkbox"/> Saving	Revenue <input type="checkbox"/> Producing
PARKING AND ADMISSIONS						
Radios for Staff		20				
Small Electronic Video Boards at Entrances			50			
Poles and Stanchions (Saratoga)		20			X	
Parking Booths (11)			50			
New BOCA Ticket Printers for Archtics (20)		30				
Parking and Admissions Controls/Meters			150		X	X
Sub-total PARKING AND ADMISSIONS	-	70	250			
Total Capital Expenditure	3,147	23,213	32,400			
***Possible Centerplate Capital (Included in Total)		455	220			

2014 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 2014 Operating and Capital Budget.

5

Global Betting Exchange Selection Overview

Global Betting Exchange (“GBE”)

The New York Racing Association recently completed its RFP process for a new Advanced Deposit Wagering (ADW) platform and is currently negotiating a contract with the successful bidder. After a comprehensive RFP production process and an extensive formal review process, the final bid was awarded to Global Betting Exchange (GBE). In executing the bid process, the New York Racing Association engaged seven bidders to provide a new highly-advanced, user-friendly, and customizable ADW platform with the capacity to scale with the potential expansion of online gaming. The Global Betting Exchange’s proven engineering capacity and deployment experience enabled the company to submit a bid for a solution that will support the New York Racing Association’s current and prospective ADW platform requirements outlined within the RFP.

The selection was the culmination of a rigorous Request for Proposal procedure during which NYRA worked closely with New York state officials, outside procurement counsel, and subject-matter consultants. Each bidder was required to explicitly set forth its areas of technical expertise in eight comprehensive and critical categories. Proposals were thoroughly reviewed and analyzed by a team of NYRA executives possessing subject-matter proficiency. The selection was made using a weighted formula that was developed by NYRA and state officials, and included in the RFP.

GBE was founded in 1999 and originally established as a wagering technology company focused on the development of an exchange wagering platform. It slowly expanded into a technology company focused on providing a multitude of racing and sports wagering solutions worldwide. GBE has developed one of the top B2B betting exchanges worldwide, as well as numerous risk management, customer relationship management, and trading products for licensed fixed-odds race and sports betting operators. GBE recently sold its retail (B2C) betting exchange – ‘Betdaq’ – to Ladbrokes PLC, a world leader in online betting and gaming. The sale proved a vote of confidence in GBE’s technology and reaffirms the company’s focus as a top tier technology provider in the online gaming space rather than a retail competitor.

GBE will be providing a ground-up build for the new ADW platform. All data will be stored and managed out of New York Racing Association owned servers located within a New York State data center. The new ADW platform promises to be a fresh and exciting solution for the New York Racing Association, and, thanks to GBE’s extensive technology experience and skills, will offer a level of customization and data utilization that has been lacking in existing systems.

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A. T. Kearney, Inc. Selection Overview

A.T. Kearney, Inc.

The New York Racing Association also completed a RFP process for a consulting firm to advise on Long Term Planning (LTP) initiatives. The purpose of the RFP was to recruit a top-tier consulting firm to provide analysis and long term strategic planning services relating to all aspects of the New York Racing Association's operations, products and services, and regulatory and market positioning to prepare the New York Racing Association for re-privatization. After both a comprehensive technical and pricing analysis, A.T. Kearney was awarded the opportunity to negotiate a contract.

Inline with the ADW RFP process, the LTP consultancy selection was the culmination of a rigorous Request for Proposal procedure. The RFP evaluation process involved considerable effort and debate on the part of the New York Racing Association Evaluation Committee. The bids were each thoroughly evaluated by the committee and scored based on a set of five comprehensive technical criteria before pricing was analyzed.

A.T. Kearney was founded in 1926 and currently has 58 offices located in major business centers in 40 countries. As summarized in its bid, A.T. Kearney has considerable and relevant experience in the gambling, sports, entertainment, horse racing, and privatization spheres. Prior projects with a premier racing club in Hong Kong, a horseracing venue in Dubai, and an industry governing body in Australia were all extremely relevant and demonstrated that A.T. Kearney has the requisite familiarity with the industry. A.T. Kearney also has a strong reputation and high public and industry-specific credibility. The team offered in the bid possessed strong resumes that matched the skills and experience required to serve the New York Racing Association project well. The phasing plan was well-organized and elucidated, and properly reflected the company's ability to efficiently deliver the final product. Finally, the pricing component of the bid demonstrated that A.T. Kearney would be able to deliver a significant and useful product at a reasonable cost.

The scope of services provides for a comprehensive assessment and strategic analyses of the overall market, competitors, customer segmentation, marketing, New York Racing Association products/services, and real estate and operations. By first collecting existing research from the New York Racing Association, industry sources, and A.T. Kearney past projects, the team will develop an early set of hypotheses. Sensitivity analyses and financial projects will further solidify options for future planning. Finally, an implementation blueprint will be produced. The ultimate implementation plan will schedule execution through the re-privatization of the New York Racing Association.

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Biographical Information

Martin Panza

***Senior Vice President of Racing Operations
The New York Racing Association, Inc.***

Martin Panza was hired to the newly created position of Senior Vice President of Racing Operations by The New York Racing Association, Inc. in October 2013. Martin previously served as Vice President of Racing and Racing Secretary at Betfair Hollywood Park in Inglewood, California, where from 2005-2013 he was responsible for all aspects of the daily racing operations. Prior to that, Martin served as Hollywood Park's director of racing and racing secretary from 1994.

Martin served two terms on the American Graded Stakes Committee, and he presently serves on the Breeders' Cup Selection Committee, the Dubai World Cup Selection Committee, and the North American Ratings Committee for The Jockey Club. Prior to working at Hollywood Park, Martin served in a variety of racing positions at tracks including Santa Anita Park and the Del Mar Thoroughbred Club.

Martin's key accomplishments includes the creation of the American Oaks, a prestigious turf race for 3-year-old fillies that received a Grade I ranking in its initial year of eligibility. He also produced a sponsor for this event, American Airlines, and was able to recruit horses to the race from Europe, Asia and Australia. Panza also created the first guaranteed wager in the United States, a guaranteed Pick 6 for \$1 million in 1998.

Martin is a graduate of the University of Arizona's Race Track Industry Program.

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**CORPORATE GOVERNANCE GUIDELINES
THE NEW YORK RACING ASSOCIATION, INC.**



**CORPORATE GOVERNANCE GUIDELINES
THE NEW YORK RACING ASSOCIATION, INC.**

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CORPORATE GOVERNANCE GUIDELINES

THE NEW YORK RACING ASSOCIATION, INC.

The following Corporate Governance Guidelines have been adopted by the Board of Directors (“Board”) of The New York Racing Association, Inc. (“NYRA”), acting on the recommendation of its Nominations and Governance Committee, to assist the Board in the exercise of its responsibilities to NYRA and its stakeholders. These Guidelines reflect the Board’s commitment to monitor the effectiveness of policy and decision-making, both at the Board and management level, and to work in the best interest of all stakeholders in horse racing. The Guidelines are a statement of policy and are not intended to change or interpret any applicable law, regulation or other corporate governance documents. The Guidelines are subject to periodic review by the Nominations and Governance Committee of the Board and to modification from time to time by the Board.

NYRA’S PURPOSE, MISSION, AND STATE OVERSIGHT

1. Subject to applicable laws, regulations, and the provisions of the Franchise Agreement, NYRA was formed for the purpose of conducting race meetings at one or more thoroughbred racetracks, conducting pari-mutuel wagering, and furthering and improving the raising and breeding of horses.

2. NYRA’s mission is: “Meeting the highest standards in Thoroughbred racing and equine safety.”

3. NYRA’s structure and operations are governed by relevant laws and regulations, including the New York Not-For-Profit Corporation Law, the New York Racing, Pari-Mutuel Wagering, and Breeding Law, The New York State Racing Franchise Accountability and Transparency Act of 2012 (“Act”), and by the terms of the Franchise Agreement dated September 12, 2008 by and among NYRA, the State of New York, and the New York State Franchise Oversight Board (“Franchise Agreement”).

4. The New York State Franchise Oversight Board (“FOB”) has the right to oversee, monitor and review material NYRA financial transactions and commercial engagements, including real property transactions. The FOB also has approval authority over certain matters related to NYRA. In addition, the FOB is responsible for monitoring NYRA’s performance under the Franchise Agreement, and may recommend termination of the Franchise Agreement in the event of breaches of the performance standards contained in the Agreement.

5. The New York State Gaming Commission, into which the State Racing and Wagering Board was merged on February 1, 2013, has jurisdiction and approval authority over of NYRA’s horse racing and pari-mutuel wagering businesses, both on-track and off-track.

6. The New York State Office of General Services is responsible for NYRA's construction permits and most related services. The New York State Office of Fire Protection and Control is responsible for fire inspections at the racetracks operated by NYRA. The New York State Office of the State Comptroller has the right to audit the books and records of NYRA. The New York State Department of Taxation and Finance collects the State pari-mutuel tax and the State admission tax at NYRA. As a New York not-for-profit corporation, NYRA is subject to the New York State Attorney General's general authority over not-for-profit corporations.

COMPOSITION AND FUNCTIONS OF THE BOARD

7. Structure and Tenure of the Board

Pursuant to the Act, NYRA's Board of Directors consists of 17 directors: eight appointed by the Governor of New York State; two directors each appointed by the Senate and Assembly; and five directors appointed by the former NYRA Board's Class A directors. The Board has two ex-officio members: one appointed by New York Thoroughbred Breeders, Inc., and one appointed by New York Thoroughbred Horsemen's Association, Inc. The Board became effective upon the appointment of a majority of its public members and terminates three years from the date of creation.

8. Powers of the Board

The Board has the general power to control and manage the affairs and property of NYRA subject to applicable law and in accordance with the purposes and limitations set forth in the Franchise Agreement, the Revised Certificate of Incorporation and the Amended Bylaws. In accordance with the Act, the Board's responsibility is "to ensure that The New York Racing Association, Inc. works in the best interest of all stakeholders in horse racing including fans, owners and breeders by managing the state racing franchise with transparency and accountability." No less than 180 days prior to its termination, the Board is required by the Act to propose to the governor and the state legislature a statutory plan for the prospective not-for-profit governing structure of NYRA.

9. Selection of the Chair of the Board

Pursuant to the Act, the Governor of the State of New York has appointed the Chair of NYRA's Board, and may appoint any successor, subject to confirmation by a majority vote of the Board.

10. Selection of Vice-Chair

The Board, by resolution adopted by a majority of the Board, shall annually designate from among its members a Vice-Chair, who, if present, shall preside at all meetings of the Board when the Chair is absent from such meetings.

11. Selection of New Directors

In the event of a vacancy on the Board of a government appointee as a result of death, resignation or otherwise, the respective appointing officer or officers (the

Governor, the Temporary President of the Senate, or the Speaker of the Assembly) shall appoint a successor who shall hold office for the unexpired portion of the term. A vacancy from the members appointed from the former NYRA Board shall be filled by the remaining such members, taking into consideration the recommendation of the Nominations and Governance Committee of the Board, which shall be responsible for assessing the appropriate balance of skills and characteristics required of new Board members.

12. **Compensation**

No compensation of any kind shall be paid to any director for the performance of his or her duties as a director, provided, however, that public directors shall be entitled to reimbursement for their actual and necessary out-of-pocket expenses incurred in the performance of their duties to NYRA, to the extent such expenses are reasonable.

13. **Board Self-Evaluation**

The Board shall be responsible for annually conducting self-evaluation of the Board as a whole. The Nominations and Governance Committee shall be responsible for establishing the evaluation criteria and implementing the process for such evaluation.

14. **Evaluation of Committees of the Board**

The Board and each of its committees will perform an annual self-evaluation. The directors will be requested to present their assessments of the effectiveness of the Board and of the committees on which they serve. The assessments should include the Board or committee contribution as a whole, and specific areas in which the Board and each of the committees believe their respective contributions could be improved. The assessments will be organized by the Nominations and Governance Committee for discussion with the Board and each committee.

15. **Board Contact with Senior Management**

Board members shall have complete access to senior management. Board members shall use sound business judgment to ensure that such contact is not distracting. If in writing, it shall be copied to the Chief Executive Officer and Chair of the Board.

Furthermore, the Board encourages senior management, from time to time, to bring to Board meetings employees who: (a) can provide additional insight concerning the items being discussed due to personal involvement in these areas; (b) represent significant aspects of NYRA's business; and (c) assure the Board of exposure to employees with future potential, to assure adequate plans for management succession within NYRA.

BOARD MEETINGS

16. **Frequency of Meetings**

Unless the Board by resolution determines otherwise, there shall be at least four regularly scheduled meetings of the Board each year. Additional meetings may be held as necessary.

17. **Selection of Agenda Items for Board Meetings**

The Chair of the Board, in consultation with the Corporate Secretary and the Chief Executive Officer, shall prepare an agenda of items to be considered by the Board at each of its specified meetings throughout the year. Each meeting agenda shall include the opportunity for each committee chair to raise issues or report to the Board. The Chair of the Board, and the Chief Executive Officer, may adjust the agenda to include special items not contemplated during the initial preparation of the agenda. Each Board member shall be free to suggest inclusion of items on the agenda for any given meeting, and may suggest additional subjects that are not on the agenda for any particular meeting. In the latter case, the Board member should contact the Chair or the Corporate Secretary prior to the relevant meeting.

18. **Executive Sessions**

The Board shall meet in executive session, without the presence of NYRA's officers, at such times as determined on proper motion before the Board.

19. **Board Materials Distributed in Advance**

Information and data is important to the Board's understanding of the business and essential to prepare Board members for productive meetings. Preparation materials relevant to each meeting will be distributed to the Board at least seven (7) days in advance of the meeting unless doing so would compromise the confidentiality of competitive information. In the event of a pressing need for the Board to meet on short notice, it is recognized that written materials may not be available in advance of the meeting. Management will make every effort to provide presentation materials that are brief and to the point, yet communicate the essential information.

COMMITTEE MATTERS

20. **Number and Functions of Board Committees**

The Board has established the following committees to assist the Board in discharging certain of its responsibilities:

- (a) **The Executive Committee** is empowered to act with the authority of the Board when the Board is not in session, to the extent permitted by law and by NYRA's Bylaws.
- (b) **The Audit and Compliance Committee** represents and assists the Board in fulfilling its general oversight of NYRA's accounting and financial reporting processes, audits of the financial statements and internal control

and internal audit functions, ethics and compliance, regulatory compliance, and special oversight.

- (c) **The Compensation & Organizational Development Committee** assists the Board in setting executive compensation guidelines, such guidelines and recommendations to be consistent with the operation of other first class thoroughbred racing operations in the United States. In addition, the Compensation & Organizational Development Committee may review and make recommendations regarding employment agreements, compensation plans, severance terms, and other relevant policies and programs of NYRA.
- (d) **The Nominations and Governance Committee** identifies and recommends individuals qualified to fill any vacancy on the Board of members appointed from the former NYRA Board, recommends to the Board candidates for membership on Board committees, develops and recommends to the Board guidelines for effective corporate governance, and leads and oversees the Board in its annual review of the performance of the Board and Board Committees.
- (e) **The Finance Committee** assists the Board in reviewing annual operating and capital budgets for each of the three racetracks operated by NYRA; reviewing strategies for achieving financial objectives; reviewing financial performance results; and overseeing the administration and effectiveness of financial risk management policies.
- (f) **The Equine Safety Committee** assists the Board in fulfilling NYRA's continuing commitment to the highest level of safety for the horses and jockeys at the racetracks. It is responsible for overseeing the implementation of the recommendations of the New York Task Force on Racehorse Health and Safety, as well as oversight of the Equine Safety Review Board. The committee is also responsible for introducing and evaluating new equine safety measures and protocols.
- (g) **The Public Hearings and Communications Committee** assists the Board in establishing best practices for open meetings, improving Board engagement with the public and providing strategic guidance/direction regarding enhanced fan engagement efforts. The committee also provides consultative direction regarding how best to communicate the NYRA brand/product to the public and media, and is empowered to make recommendations pertaining to the strategic marketing approach for the NYRA brand and its properties.
- (h) **The Racing Committee** assists the Board in overseeing NYRA's compliance with certain performance standards set forth in § 208 of the New York Racing, Pari-Mutuel Wagering, and Breeding Law and the

Franchise Agreement. Among other tasks, the committee evaluates the races and variety of races conducted by NYRA, the horses stabled at NYRA facilities, and NYRA's efforts to fill stalls at each of the racetracks in a fair and equitable manner in order to maximize field size and the quality of racing. It approves the annual stakes schedules, considers long-term racing objectives, evaluates issues and information regarding use of drugs in connection with Thoroughbred racing and training, and, in conjunction with NYRA's management, reviews NYRA's related policies and procedures and development of best practices.

21. Assignment of Committee Members

The Board shall appoint members of the Board Committees on an annual basis, after consultation with the Nominations and Governance Committee. The Committee shall make recommendations to the Board with respect to the assignment of Board members to various committees. The Chair of the Board may propose a committee member from each committee of the Board to serve as chair of such committee, subject to the approval of the Board.

The Board, after consultation with the Nominations and Governance Committee, shall annually review the Committee assignments with a view to balancing the benefits derived from the diversity of experience and viewpoints of the various directors.

22. Annual Review by Committee

Each Board Committee shall annually review its charter and recommend to the Nominations and Governance Committee any changes deemed necessary. In addition, each Board Committee shall annually review the Corporate Governance Guidelines and recommend to the Nominations and Governance Committee any changes it deems necessary. The Nominations and Governance Committee will annually recommend to the full Board any changes it deems necessary in the Committee charters and the Corporate Governance Guidelines.

LEADERSHIP DEVELOPMENT

23. Evaluation of Chief Executive Officer and President

The Board shall conduct an ongoing evaluation of the Chief Executive Officer and President ("CEO"). The evaluation of the CEO is accomplished through the following process:

- (a) The CEO meets with the Chair of the Board to develop appropriate goals and objectives for the next year, which are then discussed with the entire Board.
- (b) On or before July 31 of each year, the Chair of the Board, with input from the Compensation & Organizational Development Committee, evaluates the performance of the CEO in meeting those goals and objectives.

- (c) The Chair of the Board, along with the Chairs of the Compensation & Organizational Development Committee and the Nominations and Governance Committee are responsible for ensuring that the evaluation is communicated to the CEO.
- (d) The Chair of the Board uses this evaluation in determining the Chief Executive Officer's total compensation, including bonus.

All such evaluations and compensation determinations shall be treated as confidential personnel matters, except as the Chair of the Board, the Compensation & Organizational Development Committee, or the Board deems appropriate to communicate to State agencies, or as required by law or regulation.

24. Succession Planning

NYRA understands the importance of succession planning. Therefore, the Compensation & Organizational Development Committee, along with the CEO, shall analyze NYRA's management and organizational structure and review management's succession plan for the orderly succession of senior and mid-level managers throughout the Company. The plan shall be reviewed initially by the entire Board and reviewed periodically thereafter. Typically, in July or August of each year, the Board will assess the performance and the salaries of NYRA's executives.

25. Management Development

The Board, with the assistance of the Nominations and Governance Committee, the Compensation & Organizational Development Committee, and the CEO, shall periodically review NYRA's plans for the development of NYRA's management team. (This review will typically take place concurrent with the CEO's annual review). The CEO will report to the Board in this regard.

CONFLICTS OF INTEREST

26. Interest Determinations

If a director, directly or indirectly, has a financial or personal interest in a contract or transaction to which NYRA is to be a party, or is contemplating entering into a transaction that involves use of NYRA's assets in a fashion that would result in competition against NYRA, the director is considered to be "interested" in the matter. The director should contact the Chief Executive Officer, the General Counsel or the Chair of the Nominations and Governance Committee. The director's involvement or interest will be reviewed by NYRA's General Counsel, and then referred for evaluation by the Nominations and Governance Committee. The Nominations and Governance Committee will evaluate all matters of "interest" in connection with any director's involvement in any matter in which a director is considered to be "interested," and advise the Board of the nature of the "interest." Following receipt of such advice, a majority of the disinterested members of the Board shall decide whether a director has an "interest" in any matter before the Board, and its decision shall be final. Interested directors shall not

participate in any discussion or any vote relating to the matter in which they have been deemed to be interested.

27. **Annual Disclosures**

NYRA's Amended Bylaws require the following disclosures:

- (a) Each voting member of the Board shall annually make a written disclosure to the Board of any interest held by the director, the director's spouse, or un-emancipated child in any entity undertaking business in the racing or breeding industry.
- (b) Prior to election or appointment, and thereafter on an annual basis, each director and officer shall disclose in writing to the Audit and Compliance Committee, to the best of his or her knowledge, any interest such director or officer may have in any corporation, organization, partnership or other entity that provides professional or other goods or services to NYRA for a fee or other compensation, and any position or other material relationship such director or officer may have with any person or entity with which NYRA has any business relationship.

The foregoing disclosure statements must be promptly updated, in writing, in the event of any material change during the director's or officer's term of service.

ETHICS

28. **Code of Ethics**

NYRA's Code of Ethics applies to directors, officers, and employees. All are expected to act ethically at all times and to acknowledge their adherence to the policies comprising NYRA's Code of Ethics, which code is attached to these Guidelines as Exhibit A. If any director, officer, or employee has knowledge or a suspicion of any non-compliance with any section of the Code of Ethics, the reporting sections of the Code of Ethics should be followed.

29. **Prohibition of Political Contributions to New York Campaigns**

NYRA and its officers are prohibited from making political campaign contributions to New York state-wide and legislative campaigns. NYRA will not operate or participate in any political action committee.

30. **Communication of Accounting and Financial Concerns**

In addition to the reporting avenues provided in the Code of Ethics, this section provides additional avenues of communication for accounting and financial concerns. Any person who has a concern about NYRA's conduct in financial matters, or about NYRA's accounting, internal accounting controls, or auditing matters is encouraged to communicate that concern directly to the Chair of the Audit and Compliance Committee or the Chair of the Board, and may also communicate the

concern to any other director. Concerns received that relate to accounting, internal controls, or auditing conduct will be sent immediately to the Chair of the Audit and Compliance Committee. The status of all such concerns will be reported periodically to the Board. The Audit and Compliance Committee Chair or the Chair of the Board may direct that certain matters be reported to the full Board, and may direct special treatment, including the retention of outside advisors or counsel, for any such concern.

TRANSPARENCY

31. Disclosure Policy

In keeping with its commitment to transparency, NYRA shall comply with the New York State Open Meetings Law and Freedom of Information Law, and their underlying policies.

DIRECTOR ORIENTATION AND CONTINUING EDUCATION

32. Orientation and Continuing Education

The Corporate Secretary or any other appropriate officer of NYRA shall develop an orientation program to assist new directors in becoming fully informed as to their responsibilities as a member of the Board and the means at their disposal for the effective discharge of those responsibilities. Such orientation program shall also inform new directors as to the business and regulatory environment of NYRA and the manner in which NYRA prepares its financial statements. The Corporate Secretary or such other officer of NYRA shall periodically inform members of the Board about continuing education programs that are available for corporate directors and shall further their continuing education as responsible Board members by periodically distributing to members of the Board materials that are educational, informational and relevant to their responsibilities as directors of NYRA, or by obtaining subscriptions for Board members to such publications.

INDEPENDENT ADVISORS

33. Access to Independent Advisors

The Board may retain independent advisors as necessary and appropriate to assist the Board in performing its functions.

EXHIBIT A

Code of Ethics
The New York Racing Association, Inc.

CODE OF ETHICS
The New York Racing Association, Inc.

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Mission Statement

The goal of The New York Racing Association, Inc. (“New NYRA”) is to continue the long-standing tradition of excellence in horse racing that NYRA Inc., f/k/a The New York Racing Association Inc. (“Old NYRA”), has provided since 1955. We set the highest standard for thoroughbred racing in the United States by demanding integrity, credibility and continuously working to improve the sport of horse racing and pari-mutuel betting. New NYRA strives to attract the highest quality horses and owners through a strong purse structure and integrity on the track that is transparent and second to none. This quality-racing product is supported by pari-mutuel pools that are beyond reproach and which ensure each customer a fair and equal opportunity with their wagering dollar.

New NYRA also recognizes that there is a strong interdependence among those members who contribute to the racing experience. New NYRA’s success is inextricably bound with the success of owners, breeders, trainers, jockeys and the racing fans. It is important to promote collaboration among these groups in order to maintain a strong positive thoroughbred racing experience in New York and to serve the best interests of the state agricultural industries, owners, breeders, patrons, and all other stakeholders, including the State of New York.

It is essential to develop the highest level of customer satisfaction during New NYRA’s live racing events. A high level of customer satisfaction will keep current customers returning to enjoy the New NYRA experience and will help attract new fans and owners to the sport that will guarantee future growth for thoroughbred racing in New York.

Preamble to Code of Ethics

Old NYRA conducted, and New NYRA continues to conduct, thoroughbred racing operations and pari-mutuel wagering on horse races consistent with Article I, Section 9 of the New York State Constitution.

Old NYRA is a private, non-profit racing association that, from 1955 to 2008, owned and operated thoroughbred horse racing and pari-mutuel wagering at four racetracks located in New York State: Jamaica Racetrack in Jamaica (through 1959), Belmont Park Racetrack in Elmont, Aqueduct Racetrack in Ozone Park, and Saratoga Race Course in Saratoga Springs. Old NYRA operated racing and pari-mutuel wagering under a franchise, which was granted by the New York State Legislature in 1955, extended from time to time, and expired on December 31, 2007. Old NYRA continued to retain the rights to conduct racing and pari-mutuel wagering into 2008 pursuant to stipulations with, among others, the State of New York. New NYRA is a New York State not-for-profit corporation incorporated in 2008, following consummation of a chapter 11 plan of reorganization of Old NYRA. New NYRA is governed by a Board of Directors (the “Directors”), whose members receive no compensation or dividends. In February 2008, New NYRA was awarded a new twenty-five year franchise to continue racing and racing operations at Belmont Park Racetrack, Aqueduct Racetrack, and Saratoga Race Course.

Certain provisions of sections 73 and 74 of the New York State Public Officers Law, which are applicable to officers and employees of state agencies, were used as a guideline for this Code of Ethics and its application at New NYRA. While the Public Officers Law is not binding on New NYRA, as it is not a State Agency, the Public Officers Law is a standard that we are choosing as a guideline, in light of our ongoing obligation to operate in a sound economical and efficient manner. Additionally, The New York State Ethics Commission rulings and opinions will be used for guidance in deciding conflicts and ethics issues at New NYRA. All employees will be required to read, acknowledge and abide by this Code of Ethics. We want all of our business practices to be ethical and transparent at every level.

The purpose of the Code of Ethics is to outline what is expected in order to maintain a professional and ethical workplace and a high standard of business values that will lead to a successful future for all of us and for New NYRA. If you have any questions or feel uncertain about anything stated in this Code of Ethics, please contact the Ethics Compliance Officer who has been appointed to address ethical issues that may arise at New NYRA. As employees of New NYRA, we are not only obligated to perform our jobs to the best of our capabilities, but we also have the ongoing obligations to properly serve the betting public, and to represent New NYRA in a professional capacity. Looking forward, New NYRA has the potential for great accomplishments in both the horse racing and gaming industries. This Code of Ethics should serve as a reminder that, “*good conduct results in good business.*”

New NYRA's Unique Atmosphere

Unlike most workplaces, New NYRA is not just comprised of a building where people work. New NYRA consists of offices, restaurants, betting windows, picnic areas and playgrounds, three racetracks that host the very best in thoroughbred racing, stable areas with veterinary services and other professional care for world-class equine athletes, backstretch areas, a health care clinic, living quarters, large parking lots, greenhouses and much more. We employ people to staff all of these locations. Employees are expected and required to interact with each other and the public in a professional and courteous manner. Management understands that situations and problems arise that are unique to each location where people work at New NYRA. We want everyone to enjoy a comfortable and professional work environment. If you experience any situation that is troublesome, questionable or offensive, there are mechanisms in place at New NYRA to help you resolve these issues.

Management realizes that employees who work on the backstretch and those who reside on New NYRA facilities are exposed to situations that are unique to their working and living environments. If you live and/or work on the backstretch you may also interact with non-employees on a regular basis. The way we treat each other and non-employees alike affects the way we do our jobs. Every employee is expected to contribute to a respectful work environment by treating each other professionally and with respect. Issues or concerns such as safety, health, living quarters, cleanliness, harassment, disorderly conduct, and/or disparate or unfair treatment of an employee should be brought to the attention of a supervisor, Human Resources and/or the Ethics Compliance Officer depending on the nature of the issue. For guidance on who to report issues to, refer to this Code of Ethics and/or to your Employee Handbook. While non-employees are not limited by this Code of Ethics, it is important to realize that as employees of New NYRA our interaction with non-employees is governed by this Code of Ethics.

If you are not certain whether to report an incident, the better practice is to report it to the Ethics Compliance Officer.

CODE OF ETHICS

Unless stated otherwise, all of the provisions of this Code of Ethics apply to all Directors, officers, and employees of New NYRA.

Compliance with Code of Ethics

While this Code of Ethics provides a guideline for a variety of business situations, it does not anticipate all possible ethical questions that may arise. First and foremost, you are responsible for your own behavior and your own business decisions. If you have any questions regarding: compliance with any law, rule or regulation, participating in employment and activities outside your employment with New NYRA, a possible conflicting financial interest, the acceptance or the giving of gifts and business courtesies, travel and entertainment, record keeping or confidential information, bribery, patron wagering, “ten-percenting” or money laundering, competitive bidding, harassment, workplace safety, interaction with government employees or political contributions or any conflict of interest, you should refer to this Code of Ethics for guidance on how to address the issue. If an issue presents itself that may involve an ethical dilemma or an appearance of impropriety it is your responsibility to speak to the Ethics Compliance Officer. For instance, if a vendor offers you a gift and you are not certain whether or not to accept it, you should seek the guidance of the Ethics Compliance Officer. Additionally, if you have knowledge or a suspicion of any non-compliance with any section of this Code of Ethics on the part of others you should report the situation by using any of the following methods:

- you may contact the Ethics Compliance Officer in person, by phone at (718) 641-4700, (ask for the Ethics Compliance Officer) or by email at ethicsofficer@nyrainc.com or you may contact New NYRA’s confidential employee hotline by using the Hotline number, 1-800-605-1340;
- you may report the situation to your immediate supervisor if applicable (there may be circumstances where this will not be appropriate, for example if you believe that the supervisor has any involvement in the alleged conduct). Your supervisor, in turn, must report the incident to the Ethics Compliance Officer; or
- you may report anonymously by completing the attached “Investigatory Report Form” without providing your personal information. The form can be submitted by sending it by inter-office mail to the Ethics Compliance Officer. All reports will be given the same consideration.

New NYRA will not permit retaliation against anyone who acts in good faith in reporting any violation or suspected violation of the Code of Ethics. Because even the appearance of impropriety can be damaging to you and to New NYRA, any situation that may appear to be a violation of this Code of Ethics must be reported to the Ethics Compliance Officer. If you’re ever in doubt, disclose.

When reporting an incident be assured:

- you will be treated with dignity and respect;
- your communication will be protected to the greatest extent possible or as otherwise provided by law;
- if your issue cannot be resolved at the time you report it, the matter will be further investigated and you will be informed of the outcome, if appropriate; and
- you need not identify yourself.

New NYRA will take all reports seriously. However, please be advised that any person who knowingly makes a false report will be subject to discipline up to and including termination.

The Ethics Compliance Officer will handle routine matters. In certain matters, however, the Ethics Compliance Officer may choose to submit an ethics issue for further review simultaneously to the Ethics Committee, which is comprised of the President/Chief Executive Officer, the Senior Vice President/General Counsel, the Vice President/Chief Financial Officer and the Senior Vice President of Human Resources and Labor Relations. Additionally, the director of the Internal Audit Department will be present at all Ethics Committee meetings. Although, the director of the Internal Audit Department will be at the Ethics Committee meetings, the director of the Internal Audit Department will not participate in the decision-making or review processes of the Ethics Committee. The Ethics Committee may choose to accept the decision of the Ethics Compliance Officer, reject it or refer it to the Audit Committee of the Board of Directors. If the Ethics Committee rejects the decision of the Ethics Compliance Officer, the Ethics Compliance Officer may appeal to the Audit Committee of the Board of Directors for further review. The decisions of the Audit Committee of the Board of Directors will be final and binding. The Ethics Compliance Officer will issue a report to the Board of Directors Audit Committee regarding the ethics issues handled by the Ethics Compliance Officer covering the time period prior to each meeting of the Audit Committee of the Board of Directors.

Compliance with Laws, Rules, and Regulations

Directors, officers and employees of New NYRA must respect and follow all relevant laws, rules, and regulations including but not limited to the laws of the Federal Government, the laws of the State of New York, all relevant rules and regulations of State Regulators including, but not limited to, the New York State Racing and Wagering Board, and New NYRA's internal policies. It is your responsibility to be aware of the laws and regulations affecting your job. If a law conflicts with a policy in this Code of Ethics, New NYRA's Directors, officers and employees must comply with the law.

New NYRA provides periodic training on our internal policies. If you have any question about compliance with a law, rule, policy or regulation, please contact the Law Department.

Conflicts of Interest

We should not have any interest, financial or otherwise, direct or indirect, or engage in any business or transaction or professional activity or incur any obligation of any nature, which is in substantial conflict with the proper discharge of our duties on behalf of New NYRA. A conflict of interest can arise when a Director, officer or employee, or a member of his or her family receives an improper personal benefit as a result of his or her position with New NYRA and the possibility of personal gain influences or appears to influence any business decision or judgment. All business decisions and actions must be made with the best interests of New NYRA in mind; they cannot be motivated by personal gain.

We have an obligation to promote the best interests of New NYRA at all times. It is important to avoid any action that may involve a conflict with the interests of New NYRA. It is not permissible to have any financial or other business relationship(s), or engage in any business or transaction or professional activity or incur any obligation(s) of any nature that are in substantial conflict with the proper discharge of our duties in the best interest of New NYRA.

It is important to avoid even the appearance of impropriety, which may occur when a reasonable observer might assume there is a conflict of interest and, therefore, a loss of objectivity while acting on behalf of New NYRA. Our conduct should not give a reasonable basis for the impression that any person can improperly influence us or can unduly enjoy our favor in the performance of our duties and/or job. Our conduct should also not give a reasonable basis for the impression that we can be affected by the kinship, rank, position or influence of any party or person. Likewise, we should all endeavor to pursue a course of conduct that will not raise suspicion among the public that we are likely to be engaged in acts that are in violation of any trust.

The following are examples of how to avoid conflicts of interest and the appearance of impropriety and how to abide by New NYRA's Code of Ethics.

I. Outside Employment and Activities

Conflicts of interest can arise if you accept any other employment that would impair your independence of judgment in the exercise of your duties or job(s) in the interest of New NYRA. Engaging in activities that involve services performed in direct competition with New NYRA or engaging in activities that affect your independence of judgment is not permitted. We should not use our affiliation and connection with New NYRA for our own personal benefit. Performing activities or services related to your professional or corporate specialty for any outside individual or company that does or wishes to do business with New NYRA must be approved pursuant to the procedures set forth in this Code of Ethics. Specifically, prior to accepting or engaging in any outside employment or activities, you should notify your immediate supervisor or the Ethics Compliance Officer for approval using the reporting procedures as set forth in the section hereof entitled *Compliance with Code of Ethics*.

II. Conflicting Financial Interest

Acting in your official capacity in any manner where you have a direct or indirect personal financial interest that might reasonably be expected to impair your objectivity or independence of judgment should be avoided. Additionally, you should abstain from making personal investments in enterprises or organizations that you have reason to believe may be directly involved in decisions that you may have to make on behalf of New NYRA or which will otherwise create a substantial conflict between your duty or job(s) in the interest of New NYRA and/or your private interest. New NYRA respects your right to manage your investments and does not wish to interfere with your personal life. However, it is important to avoid situations that create or that may create an apparent or actual conflict between your personal interests and the interests of New NYRA.

In order to avoid any potential conflict of interest, Directors, officers, vice presidents, the Anti-Money Laundering Compliance Officer, and the Ethics Compliance Officer must complete the Disclosure of Business Interests form attached hereto.

Completed forms should be submitted to the Ethics Compliance Officer annually; the Ethics Compliance Officer must submit the Ethics Compliance Officer's Disclosure of Business Interests form to NYRA's General Counsel.

Furthermore, all employees not identified above have certain disclosure obligations to avoid actual and potential conflicts of interest. If you and/or your spouse or family member have any interest financial or otherwise in an entity, or are employed by an entity that does or is seeking to do business with New NYRA, or has substantial business contacts with New NYRA, you have the obligation to disclose that relationship to the Ethics Compliance Officer.

III. Gifts and Business Courtesies

A gift is something that is given or made without charge or consideration that is "freely bestowed" with no obligations attached. No one is permitted to accept any gift in connection with New NYRA business that has a value of more than seventy-five dollars (\$75.00).

A business courtesy may be a tangible or intangible benefit such as meals, drinks, entertainment, discounts, promotional items, materials, use of facilities or equipment, for which fair market value is not paid by the recipient. New NYRA business should always be free from even the perception that favorable treatment was sought, received, or given in exchange for the furnishing or receipt of gifts or business courtesies. This includes gifts or business courtesies consisting of payments, consulting fees, loans, or other benefits of value received directly or indirectly from any existing or potential customer, supplier, bidder or competitor. Soliciting gifts or business courtesies is strictly prohibited. The giving or receiving of any gift or business courtesy that could create or appear to create an obligation to the donor or the receiver, or influence the business relationship with the donor or the receiver may not be given or accepted, even a gift or business courtesy having a value less than seventy-five dollars (\$75.00). Furthermore, we cannot give or accept any gift, business courtesy or obligation of any nature that

is in substantial conflict with the proper discharge of our duties at New NYRA. You may give or accept an occasional meal or outing with suppliers, customers or vendors if there is a valid business purpose involved and if you follow this Code of Ethics and New NYRA's Travel and Entertainment Expense Policy.

We must act in a fair and impartial manner in all business dealings, and must not create a perception that we are subject to undue influence. No one should give or accept gifts or business courtesies that constitute, or could be reasonably perceived as constituting, unfair business inducements or that would violate any Federal, State, or local law, rule, or regulation, or a policy of New NYRA, or that could cause embarrassment to, or reflect negatively on, New NYRA's reputation.

Acceptance and giving of gifts or business courtesies must be free of obligation on the part of the individual or New NYRA and must not influence, or appear to influence, any subsequent business decisions. For instance, if you are invited to attend and take part in a golf outing (business courtesy) hosted by a company that does business with New NYRA, this could be acceptable business networking. On the other hand, if an employee of the company gives you two (2) tickets to a ball game for your personal use, that would be considered an unacceptable gift. If you deal with vendors, sales personnel or the public, or hold a decision-making position, you should not give preferential treatment based on gifts, business courtesies or favors. For example, a foreman or manager who orders merchandise or materials should not base his or her business decision on the promise or offer of a gift, service or business courtesy from a vendor or sales person. This is a violation of the Code of Ethics and should be reported following the procedures outlined in the section hereof entitled *Compliance with the Code of Ethics*.

Anyone that has business dealings with government employees or officials must remember that the standards of conduct may be different from those we normally use in commercial business. We all must comply with the rules set forth in the section hereof entitled *Government Employees*.

In deciding whether to give or accept a gift or business courtesy, you are expected to use good business judgment and consider the perception created by giving or accepting a gift or business courtesy. We want to promote professional relationships and ethical business practices. We must never offer or accept gifts or business courtesies that might compromise our ethical and/or legal obligations. If you would like to give a gift or business courtesy or accept a gift or business courtesy and there is any question as to whether or not it is permissible, contact the Ethics Compliance Officer.

IV. Travel and Entertainment

Employees must keep the costs of business travel and expenses at a reasonable level by using the most cost-effective means of travel and/or entertainment. If you are offered a meal or invitation, acceptance of such offer(s) must be free of obligation on the part of the individual or New NYRA and must not influence, or appear to influence, any subsequent business decisions. Care must be taken to avoid the appearance of impropriety or the appearance of influencing any act or decision of any person doing business with or wanting to do business with New NYRA.

You may accept or pay for occasional lunches, dinners and accept other invitations from business associates but be sure to comply with both the policies on *Gifts and Business Courtesies* set forth above and New NYRA's Travel and Entertainment Expense Policy.

Anyone that has business dealings with government employees or officials must remember that the standards of conduct may be different from those we normally use in commercial business. We all must comply with the rules set forth in the section hereof entitled *Government Employees*.

V. Directors as Horsemen

While it is not a conflict of interest for a Director to participate in racing or the ownership of thoroughbred race horses at New NYRA, Directors should not expect to be given any special consideration based on this status. Directors should take special care to avoid even the appearance of impropriety when participating in racing activities. For more information please see the section hereof entitled *Directors*.

Accuracy of Books and Records

Everyone is expected to keep and maintain accurate business records in accordance with all relevant laws, rules, and regulations including but not limited to the laws of the Federal Government, the laws of the State of New York, all relevant rules and regulations of State Regulators including but not limited to the New York State Racing and Wagering Board, and New NYRA's internal policies. If you come across any business records that you believe are not accurate, contain errors, or are not up to date, you should follow the reporting procedures set forth in the section hereof entitled *Compliance with Code of Ethics*. Our business records must reflect the actual transactions or events that take place. We must ensure that all New NYRA business records, whether electronic or on paper, are reliable, accurate and complete. Furthermore, when appropriate, New NYRA records shall be prepared in accordance with GAAP ("Generally Accepted Accounting Principles"). Accuracy and reliability in the preparation of all business records is of critical importance to New NYRA's decision-making processes and the proper discharge of our financial, legal and reporting obligations. It is also important to be aware that some of our business records are disclosed to, and/or reviewed by, the public and or the government; accordingly, attention to detail is very important. Business records include but are not limited to: paper documents, notes, books, accounts (paper and computerized), audio or videotapes, email and voice mail, computer files and disks, and any other medium that contains information about New NYRA or New NYRA's business activities.

Keep in mind that certain financial and business records must be retained for minimum time periods by law. Additionally, all New NYRA business records must be retained pursuant to New NYRA's Record Retention Policy. If you have any question about the retention of any New NYRA business records, please contact the Law Department.

We must never misrepresent facts, falsify or suppress records. Tampering with business records is illegal and will not be tolerated.

Confidential Information

We must act with professionalism and discretion when handling New NYRA information and discussing New NYRA business. Some information that comes into our possession as New NYRA employees is confidential information. Examples of confidential information are: personnel files, information concerning future business transactions, compensation information, and trade secrets. A trade secret is any valuable business information that is not generally known and that gives one an advantage over competitors. Examples of trade secrets include: plans, engineering and technical designs and drawings, product specifications, customer lists, business strategies, computer programs, and sales and marketing information. Confidential information, including trade secrets, should not be disclosed or used for any reason other than New NYRA business.

If you possess or have access to confidential information you:

- are not permitted to use the information for your own benefit or for the benefit of anyone or any organization other than New NYRA;
- should not discuss the information with anyone outside of New NYRA, including family members;
- must make sure that confidential information remains secure and/or under your direct supervision when in use; and
- must only use the information to carry out New NYRA business.

New NYRA's general business affairs should not be discussed with anyone outside New NYRA except as required in the normal course of business or if disclosure is required by law. If you are not certain whether information you possess or have been asked to disclose is confidential information, please consult the Law Department.

Theft/Misuse of Company Assets

New NYRA's assets may only be used for purposes as are approved by New NYRA. We may not take, make use of, or knowingly misappropriate the assets of New NYRA, for personal use, for use by another, or for an improper or illegal purpose. We are not permitted to remove, dispose of, or destroy anything of value belonging to New NYRA without New NYRA's consent, including physical items and electronic information.

Use of Computer Systems

NYRA's computer systems (including Internet access) and its e-mail systems (collectively, "computer systems") are the property of New NYRA and are intended to be used for New NYRA business. Although employees may periodically use the computer systems for incidental personal use, they should not expect that their communications, records and other uses of New NYRA's computer systems are private or confidential. New NYRA reserves all rights, to the fullest extent permitted by law, to access information on its computer systems as it deems appropriate. For example, New NYRA accesses such information in the course of routine systems maintenance and also periodically monitors the use of its computer systems to ensure against improper use.

Employees may not use New NYRA's computer systems to conduct any unlawful activity. Employees also may not use New NYRA's computer systems for any communication of a discriminatory or harassing nature or to create, transmit or receive (including by downloading from the Internet) material that could reasonably be construed by an intended or unintended recipient as harassing or disparaging of another individual or group or as otherwise offensive.

New NYRA's computer systems may not be used to solicit for commercial ventures, charitable contributions other than for New NYRA causes, for religious or political causes, or for chain letters.

Bribery

Bribery occurs when something of value is given or promised in order to influence the judgment or conduct of a person. Bribery is often used to obtain an illicit or illegal advantage. Bribery can occur when money is offered as an incentive to choose a vendor or bidder, when something of value is offered to get information that would provide a competitive advantage, or when an offer is made in order to change the results of an event, test or document. Bribery is a form of corruption, it is illegal, and will not be tolerated at New NYRA.

Patron Wagering and Anti-Money Laundering Compliance

Wagering at New NYRA racetracks is governed by the New York State Racing, Pari-Mutuel Wagering and Breeding Law and the New York Codes, Rules and Regulations. "Ten-percenting" or any other form of evasion of tax reporting requirements is strictly prohibited. A "ten-percenter" is any person who offers to cash tickets that are subject to IRS withholding regulations in exchange for a percentage of money or something of value.

Pari-mutuel tellers and those employees who work in Customer Relations have direct interaction with the public. Any situation that occurs between an employee and a customer that is out of the ordinary should be reported to a supervisor. Examples of unusual situations are: an argument with a customer, a dispute over a wager, or a customer or fellow employee making an inappropriate request of an employee.

Additionally, pari-mutuel tellers handle money and additional responsibilities come with handling money. Pari-mutuel tellers are trained regarding what is expected of them when handling money and they are trusted with the responsibility of following those rules. Mistakes happen, but it is extremely important that anyone who knows of or observes a possible violation of New NYRA's rules and regulations reports it following the applicable New NYRA policies.¹

“Money laundering can be generally defined as the movement of cash or other financial assets attributable to illicit activities through one or more legitimate accounts, businesses or other conduits for the purpose of making such cash or assets appear to be attributable to legitimate activities or otherwise more difficult to trace back to their illicit source.”² Often money laundering occurs when criminals try to “clean” the proceeds of a crime by hiding the proceeds and making them appear legal or legitimate. If you encounter someone who is reluctant to give you information that is essential or required by law, or you have suspicions about a financial transaction, you must contact the Anti-Money Laundering Compliance Officer immediately. For further information regarding New NYRA's policies pertaining to combating money laundering, please refer to New NYRA's Policies and Procedures to Combat Money Laundering and Terrorist Activity.

Employee Wagering

It is unlawful in New York State for a pari-mutuel employee to place a wager on a horse race while the teller is working at a racetrack.³ All pari-mutuel tellers receive the Mutuel Department Rules and Regulations and are expected to know the rules and abide by them. If you have any question about the rule against pari-mutuel tellers wagering, please contact the Law Department.

Employees in all other departments are expected to consult with a supervisor about any restrictions or prohibitions that exist regarding wagering for a particular job category.

Tips and Gratuities

Tips are gratuities voluntarily offered by a customer or patron at the conclusion of an employee's normal service or duties. In no event shall any payment from a customer or patron be demanded or accepted by any employee to induce the employee to perform any service or duty.

¹ Applicable New NYRA policies may include but are not limited to this Code of Ethics, NYRA's Policies and Procedures to Combat Money Laundering and Terrorist Activity, the NYRA Employee Handbook, and the Mutuel Department Rules and Regulations.

² The New York Racing Association, Inc., Policies and Procedures to Combat Money Laundering and Terrorist Activities, September 12, 2008, page 1.

³ 9 NYRCC § 4005.4.

Additionally, when accepting a tip or gratuity it is important to keep in mind the rules set forth in the section hereof entitled *Gifts and Business Courtesies*.

Competitive Bidding

Pursuant to the New York State Racing, Pari-Mutuel Wagering and Breeding Law, “[a]ll contracts entered into by the franchised corporation for the procurement of goods and services shall be pursuant to a competitive bidding purchasing policy approved by the franchise oversight board.”⁴ Anyone involved in the bidding process is expected to know and follow New NYRA’s Purchasing Policies and Procedures. If you are involved in proposals, bid preparations or contract negotiations it is very important that you are accurate and truthful in the process. Furthermore, once a contract is awarded the terms of the contract must be complied with in all regards.

For further information regarding New NYRA’s policy on Competitive Bidding, please refer to the New York State Racing, Pari-Mutuel Wagering and Breeding Law §208(6), New NYRA’s Purchasing Policies and Procedures Manual, and/or contact New NYRA’s Purchasing Department or Law Department.

Unlawful Discrimination and Harassment

All employees of New NYRA are entitled to work in an environment free of any form of harassment and other forms of unlawful discrimination. In order to safeguard the professionalism and dignity of the workplace, every supervisor and employee must ensure that harassment of any kind does not occur under any circumstances. Harassment based on age, race, creed, color, national origin, sexual orientation, military status, sex, disability, genetic predisposition or carrier status, or marital status, or on any other basis protected by state or federal law, will not be tolerated.

All employees should protect the professionalism and dignity of our workplace and should not tolerate harassment of or by any employee or non-employee. This applies equally to the backstretch as it does to all other aspects of New NYRA’s business.

If you feel that you have been harassed in any manner you should refer to New NYRA’s policies and procedures on harassment which are contained in your Employee Handbook.

⁴ New York State Racing, Pari-Mutuel Wagering and Breeding Law § 208(6)(a).

Workplace Safety and Health

Safety and health are primary concerns of New NYRA management. All employees are entitled to a safe and healthy workplace environment. If you become aware of any hazard or safety concern you should report it immediately. You can contribute to the safety of our work environment by complying with all New NYRA and government safety regulations and by reporting any hazardous condition(s) or safety concern(s) to a supervisor, the Facilities Managers or the Management Safety Committee. If you operate vehicles or any type of equipment you are required do so in a safe and lawful manner. Safety and/or protective equipment must be worn where it is required. All injuries that occur in or on New NYRA facilities or premises must be reported immediately to a supervisor and/or First Aid or New NYRA security, as applicable. New NYRA takes these issues very seriously and asks the same of its employees.

In addition to your own safety, it is important to remember that we must endeavor to create a safe environment for the horses that are stabled and/or race at our three racetracks. Only licensed and authorized personnel are permitted in the barn areas. Everyone should take care to follow all directives of authorized personnel when in the presence of horses as these animals can be dangerous and unpredictable. The health and safety of the horses is paramount to our continued operations and should be taken seriously.

For more information on how to report Health and Safety violations please refer to the Employee Handbook.

Government Employees

In pursuing business with governmental entities and agencies, the standard of conduct and prohibited practices may be different from those adhered to in commercial business. Any business interactions with governmental entities and agencies must be free of obligation on the part of the individual and/or New NYRA and must not influence, nor appear to influence, any subsequent business decisions. Care must be taken to avoid the appearance of impropriety, or the appearance of influencing any act or decision of a governmental official or government employee in his or her official capacity.

If you are acting on New NYRA's behalf you must not offer or make directly or indirectly, any payment of anything of value (in the form of compensation, gift, contribution or otherwise) to:

- Any governmental employee or entity, for the purpose of inducing or rewarding action (or withholding of action) by a governmental entity in any governmental matter; or
- Influence the award of a contract by governmental authority, or which may be reasonably construed by the public as having the effect or intent to influence the award of a contract.

Political Contributions

New NYRA shall not make any monetary corporate political contribution to any elected official or candidate for political office. If you choose to participate in lawful political activities, your participation must be on an individual basis, on your own time, and at your own expense.

Directors

At New NYRA, Directors are permitted and encouraged to participate in all levels of horse racing including ownership of race horses. Directors can be both horsemen and Directors but they shall not receive any preferential treatment by New NYRA based on their position as a Director. Directors have a fiduciary responsibility to New NYRA and must make certain that all of New NYRA's assets are used in the best interests of New NYRA.

As set forth above in the section entitled *Conflicting Financial Interest*, Directors must complete the Disclosure of Business Interests Form attached hereto and submit it to the Ethics Compliance Officer annually. Furthermore, a Director with any other possible conflict must disclose the relevant information and seek a determination pursuant to the rules governing Compliance with the Code of Ethics stated in the section hereof entitled *Compliance with the Code of Ethics*. If it is determined that a conflict exists, that Director must not participate or vote in any matter relating to the conflict and should recuse him/her self from any deliberations, votes, or actions on the matter deemed to be a conflict.

Accountability for Adherence to the Code of Ethics

Compliance with this Code of Ethics is a condition of employment at New NYRA for all officers and employees. However, nothing contained in this Code of Ethics is to be construed as a contract of employment.

All Directors, officers, and employees are required to comply with this Code of Ethics and will be asked to acknowledge acceptance of the Code of Ethics on an annual basis. Failing to exercise proper supervision and/or failing to report a violation may be considered a violation of this Code of Ethics. Discipline may, when appropriate, include dismissal. In addition to any penalty contained in any other provision of law, any Director, officer, or employee who shall knowingly and intentionally violate any of the provisions of this Code of Ethics may be fined, suspended or removed from office or employment in the manner provided by law or any applicable collective bargaining agreement.

I _____, have received a copy of the New NYRA Code of Ethics.

Signature: _____

Print Name: _____

Department / Title: _____

Date: _____

INVESTIGATORY REPORT FORM

To: The New York Racing Association, Inc.
Ethics Compliance Officer

Date: _____

Individual(s) Allegedly Involved

Name(s): _____

Department(s): _____

Allegation(s)

Please specify the alleged violation of the Code of Ethics and/or describe the incident involving the alleged violation of the Code of Ethics. Include (1) the names of any witnesses, (2) the date if possible, and (3) the place of occurrence if applicable. Attach additional sheets if necessary.

If you choose to remain anonymous you may leave the following section blank.

Your Name: (sign) _____ (print) _____

Your Department: _____

Your Extension: _____

NYRA Disclosure by Directors and Officers

The New York Racing Association, Inc. P.O. Box 90,
Jamaica, New York 11417

Disclosure of Business Interests: For calendar year 200

1. _____
NAME (LAST) (FIRST) (M.I.)

2. _____
(a) TITLE OF POSITION (b) DEPARTMENT

_____ (c) ADDRESS OF PRESENT OFFICE (d) OFFICE PHONE NUMBER

3. _____
(a) MARITAL STATUS - IF MARRIED, PLEASE GIVE SPOUSE'S FULL NAME (INCLUDING MAIDEN NAME WHERE APPLICABLE)

_____ (b) LIST THE NAMES OF ALL UNEMANCIPATED CHILDREN

4. *Business Interests.* List any ownership interest, office, trusteeship, directorship, partnership, or position of any nature, whether compensated or not, held by the reporting individual with any firm, corporation, association, partnership, or other organization which has dealings with The New York Racing Association, Inc. ("NYRA") in any manner, list the name of any such entity and the nature of its relationship with NYRA. Include compensated honorary positions; do NOT list membership or uncompensated honorary positions.

NONE

<u>POSITION</u>	<u>NAME AND ADDRESS OF ENTITY</u>	<u>DEALINGS/RELATIONSHIP WITH NYRA</u>
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5. If the spouse or unemancipated child of the reporting individual is engaged in any occupation, employment, trade, business or profession which has dealings with NYRA in any manner, list the name of any such entity and the nature of its relationship with NYRA.

NONE

<u>POSITION</u>	<u>NAME AND ADDRESS OF ENTITY</u>	<u>DEALINGS/RELATIONSHIP WITH NYRA</u>
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6. *Racing or Breeding Industry.* List any interest held by you, your spouse or unemancipated child, in any entity undertaking business in the racing or breeding industry.

NONE

<u>NAME</u>	<u>NAME AND ADDRESS OF ENTITY</u>	<u>TYPE OF BUSINESS</u>
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X _____
(Signature of Reporting Individual or Director)

_____ Date (month/day/year)

- * Please remember to sign and date the Statement
- * Please keep a copy of the completed Statement for your records.

***THIS DISCLOSURE MUST BE UPDATED ANNUALLY.**

***IN THE EVENT OF ANY MATERIAL CHANGE, THIS DISCLOSURE MUST BE PROMPTLY UPDATED, IN WRITING.**

CORPORATE GOVERNANCE GUIDELINES RESOLUTION

IT IS HEREBY RESOLVED, that the NYRA Board of Directors, having had full opportunity to inquire, consider, and understand, does hereby approve the Corporate Governance Guidelines.

9

2014 NYRA RACE DATES



AQUEDUCT WINTER / SPRING

January 1 - April 27

Dark Tuesdays / Wednesdays in January and March except;

Live Racing on Wednesday, January 1st (New Year's Day)

Dark on Monday, January 6th

Dark Tuesdays / Wednesdays / Thursdays in February

Dark Mondays / Tuesdays in April except;

Dark Sunday, April 13th and Sunday, April 20th (Palm and Easter Sundays)

BELMONT PARK SPRING / SUMMER

May 1 - July 13

Dark Mondays / Tuesdays except;

Live Racing on Monday, May 26th (Memorial Day)

Dark on Wednesday, May 28th

SARATOGA RACE COURSE

July 18 - September 1

Dark on Tuesdays

BELMONT PARK FALL

September 6 - October 26

Dark Mondays / Tuesdays except;

Live Racing on Monday, October 13th (Columbus Day)

Dark on Wednesday, October 15th

AQUEDUCT FALL

October 31 - December 31

Dark Mondays / Tuesdays except;

Dark on Wednesday, December 24th (Christmas Eve)

Dark on Thursday, December 25th (Christmas Day)

2014 NYRA CALENDAR

JANUARY 2014	S	M	T	W	T	F	S
				1	2	3	4
	5	6	7	8	9	10	11
	12	13	14	15	16	17	18
	19	20	21	22	23	24	25
	26	27	28	29	30	31	

FEBRUARY 2014	S	M	T	W	T	F	S
							1
	2	3	4	5	6	7	8
	9	10	11	12	13	14	15
	16	17	18	19	20	21	22
	23	24	25	26	27	28	

MARCH 2014	S	M	T	W	T	F	S
							1
	2	3	4	5	6	7	8
	9	10	11	12	13	14	15
	16	17	18	19	20	21	22
	23	24	25	26	27	28	29
30	31						

APRIL 2014	S	M	T	W	T	F	S
			1	2	3	4	5
	6	7	8	9	10	11	12
	13	14	15	16	17	18	19
	20	21	22	23	24	25	26
	27	28	29	30			

MAY 2014	S	M	T	W	T	F	S
					1	2	3
	4	5	6	7	8	9	10
	11	12	13	14	15	16	17
	18	19	20	21	22	23	24
	25	26	27	28	29	30	31

JUNE 2014	S	M	T	W	T	F	S
	1	2	3	4	5	6	7
	8	9	10	11	12	13	14
	15	16	17	18	19	20	21
	22	23	24	25	26	27	28
	29	30					

JULY 2014	S	M	T	W	T	F	S
			1	2	3	4	5
	6	7	8	9	10	11	12
	13	14	15	16	17	18	19
	20	21	22	23	24	25	26
	27	28	29	30	31		

AUGUST 2014	S	M	T	W	T	F	S
						1	2
	3	4	5	6	7	8	9
	10	11	12	13	14	15	16
	17	18	19	20	21	22	23
	24	25	26	27	28	29	30
31							

SEPTEMBER 2014	S	M	T	W	T	F	S
		1	2	3	4	5	6
	7	8	9	10	11	12	13
	14	15	16	17	18	19	20
	21	22	23	24	25	26	27
	28	29	30				

OCTOBER 2014	S	M	T	W	T	F	S
				1	2	3	4
	5	6	7	8	9	10	11
	12	13	14	15	16	17	18
	19	20	21	22	23	24	25
	26	27	28	29	30	31*	

NOVEMBER 2014	S	M	T	W	T	F	S
							1*
	2	3	4	5	6	7	8
	9	10	11	12	13	14	15
	16	17	18	19	20	21	22
	23	24	25	26	27	28	29
30							

DECEMBER 2014	S	M	T	W	T	F	S
		1	2	3	4	5	6
	7	8	9	10	11	12	13
	14	15	16	17	18	19	20
	21	22	23	24	25	26	27
	28	29	30	31			

*2014 Breeders' Cup (31 Oct - 01 Nov)

Legend

1	Public Holidays (live racing)
13	Religious Holidays (no racing)
7	Belmont Stakes (June 7)
1*	Breeders' Cup @ Santa Anita

Post Times variable by season

Aqueduct Winter/Spring	79
Belmont Spring	54
Saratoga	40
Belmont Fall	37
Aqueduct Fall	42
TOTAL	252

2014 RACING DATES

IT IS HEREBY RESOLVED, that, upon the recommendation of the Racing Committee, the NYRA Board of Directors, having had full opportunity to inquire, consider, and understand, does hereby approve the 2014 racing dates.

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PROPOSED 2014 NYRA AQUEDUCT WINTER/ SPRING MEETING STAKES SCHEDULE						
DATE	CLOSES	RACE	GRADE	2014 PURSE	AGE	DISTANCE
AQUEDUCT WINTER / SPRING MEETING						
Wed., Jan 1	Sat., Dec. 21	Interborough		100,000	F&M 3&UP	6 Furlongs
Wed., Jan. 1	"	Affectionately		100,000	F&M 3&UP	1 1/16
Sat., Jan. 4	"	Jerome	II	200,000	3YO	1 Mile 70 Yds
Sat., Jan. 4	"	Busanda		100,000	F 3YO	1 Mile 70 Yds
Sat., Jan 11	Sat., Dec. 28	Ruthless		100,000	F 3YO	6 Furlongs
Sat., Jan. 18	Sat., Jan. 4	Evening Attire		100,000	3 & UP	1 1/16
Mon., Jan. 20	"	Jimmy Winkfield		100,000	3 YO	6 Furlongs
Sat., Jan 25	"	Ladies Hdcp		100,000	F&M 3&UP	1 1/8
Sat., Jan 25		TRIPLE CROWN (Early Closing)				
Sat., Feb. 1	Sat., Jan 18	Busher		100,000	F 3YO	1 1/16
Sat., Feb. 1	"	Toboggan	III	150,000	3 & UP	6 Furlongs
Sat., Feb. 1	"	Correction		100,000	F&M 3&UP	6 Furlongs
Sat., Feb. 1	"	Withers	III	250,000	3 YO	1 1/16
Sat., Feb. 8	Sat.,Jan. 25	Dearly Precious		100,000	F 3YO	6 Furlongs
Sat., Feb. 15	Sat., Feb. 1	Stymie		100,000	3 & UP	1 1/8
Mon., Feb. 17	"	Hollie Hughes (NYB)		100,000	3 & UP	6 Furlongs
Sat., Feb., 22	Sat., Feb 8	Kings Point (NYB)		100,000	3 & UP	1 1/16
Sat., Mar. 1	Sat., Feb. 15	Tom Fool Hdcp.	III	200,000	3 & UP	6 Furlongs
Sat., Mar. 1	"	Gotham	III	500,000	3YO	1 1/16
Sat., Mar. 1	"	Top Flight Hdcp.	II	200,000	F&M 3&UP	1 1/16
Sat., Mar. 8	Sat., Feb. 22	Fred "Cappy" Capossela		100,000	3 YO	6 Furlongs
Sat., Mar. 15	Sat., Mar. 1	Cicada		100,000	F 3YO	6 Furlongs
Sat., Mar. 22		TRIPLE CROWN (Late Closing)				
Sat., Mar. 22	Sat., Mar. 8	Excelsior	III	150,000	3 & UP	1 1/8
Sat., Mar. 29	Sat., Mar. 15	Broadway (NYB)		100,000	F&M 3&UP	6 Furlongs
Sat., Apr. 5	Sat., Mar. 22	Wood Memorial	I	1,000,000	3YO	1 1/8
Sat., Apr. 5	"	Carter Hdcp.	I	500,000	3&UP	7 Furlongs
Sat., Apr. 5	"	Bay Shore	III	300,000	3YO	7 Furlongs
Sat., Apr. 5	"	Gazelle	II	300,000	F 3YO	1 1/8
Sat., Apr. 5	"	Ruffian Hdcp.	II	250,000	F&M 3&UP	1 Mile
Sat., Apr. 19	Sat., Apr. 5	Distaff (Hdcp)	II	200,000	F&M 3&UP	6 Furlongs
				5,800,000		

2014 AQUEDUCT WINTER/SPRING STAKES SCHEDULE

IT IS HEREBY RESOLVED, that the NYRA Board of Directors, having had full opportunity to inquire, consider, and understand, does hereby accept and adopt the proposed stakes schedule for the Aqueduct Racetrack 2014 winter/spring meeting proposed by the Racing Committee.

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2014 Schedule of Board Meetings

March 5, 2014- NYC

May 28, 2014 – NYC

September 12, 2014- NYC

November 19, 2014 - NYC