



THE NEW YORK RACING ASSOCIATION, INC.

2009 Symposium on Racing & Gaming

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NOT-FOR-PROFIT MODEL

Not-for-profit model is good for a racetrack operation and the industry.

Thoroughbred racing has difficult financial attributes

- Low or zero revenue growth
- Capital intensive
- Low operating margins

For-profit or public racing companies: First obligation is the financial return to owners or shareholders. Model is sometimes at odds with racing stakeholders.

Not-for-profit organization can make investments with long-term paybacks and return more revenue to industry stakeholders.

Not-for-profit Industry Leaders: Del Mar, Oak Tree, Keeneland, Woodbine and NYRA



NEW NYRA FRANCHISE

- **Settlement on land ownership**
- **25-Year Term**
- **Revised not-for-profit structure**
- **Reconstituted Board of Directors**
 - 14 Private Members
 - 11 Government Appointees including representatives from:
 - NY Thoroughbred Horsemen's Association
 - NY Thoroughbred Breeders
 - Off-Track Betting Corporation
 - Organized Labor



VIDEO LOTTERY TERMINALS AT AQUEDUCT

- **Delaware North Companies selected as the operator**
- **Video Lottery Terminals**
 - 300,000 square feet
 - 4,500 machines
- **Percentage splits to racing**
 - 4% for NYRA capital expenditures
 - 3% for NYRA operating expenses
 - 6.5→7.5% Purses
 - 1→1.5% NY Breeders' Awards
- **Projected completion and opening: 2nd Quarter 2010**

VLT IMPACT ON PURSES

- **2008 will pay approximately \$118 million in total purses**
- **Current average daily purses per track including stakes:**
 - Saratoga \$750,00
 - Belmont \$550,000
 - Aqueduct \$340,000

With a conservative win per machine rate of \$300, purses will increase \$32 million or 27% over 2008 levels.

- **Strategic options for purse enhancements**

TURNBERRY CONSULTING INITIATIVE

- London-based strategic consulting firm
- Specializes in racetracks and academic institutions
- Strategic review of all facility requirements for frontside, backside, and racing surfaces
- Conducted over 100 interviews and site surveys in U.S. and around the world
- Defined areas of focus for further research and development
- The following are three areas under review

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RACING SURFACES

- **No current plan for artificial surfaces**
 - Insufficient empirical data on safety performances of artificial surfaces
 - Current metric of breakdowns per 1,000 starts misleading and inaccurate
 - No methodology or metrics to track soft tissue injuries
- **Review all turf courses**
 - Two at Saratoga, two at Belmont, one at Aqueduct

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LIVING CONDITIONS IN BACKSTRETCH

Dormitories in Backstretch

Belmont:

- 83 cottages
- 450 rooms
- 900 occupants

Saratoga:

- 81 Cottages
- 436 rooms
- 900 occupants

Recommendation

- Need to build new apartment-style dorms
- Significant improvements in living conditions
- Better security
- Better maintenance
- Accountability of Trainers

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FACILITIES AND CUSTOMER AMENITIES

- Turnberry is looking at international racing trends in hospitality and facility enhancement
- Most major international jurisdictions have made great strides while the U.S. has been stagnant
 - Festivals of racing
 - Upscale hospitality for major events
 - Segmented customer service experience

VLTs resources will allow us to make our facilities more dynamic and exciting places to visit.

NEW YORK OFF-TRACK BETTING

NY and OTB

- New York was first state with an off-track betting network
- Launched in early 1970's with six regional OTBs
- Discreet geographic based strategy with retail parlors
- **1994:** In-home phone account wagering launched; Strategy of geographic boundaries start to blur
- **2007:** Internet wagering approved for NY entities; Removed all geographic boundaries but late to the party

NEW YORK OFF-TRACK BETTING

Need For Joint Venture/Consolidation With NYRA

- **Seven** individual tote contracts (plus harness)
- **Five** separate phone account wagering operations
- **Four** separate internet account wagering operations
- **Tremendous duplicative infrastructure:** Legal, IT, HR, Marketing, etc.

NEW YORK OFF-TRACK BETTING

Goals of Joint Venture/Consolidation

- Maintain six regional OTBs as the retail base
- One statewide tote vendor
- One statewide account wagering platform
- One statewide television strategy

Increased profitability means *more return* for the State, the communities and the racing industry.

NYRA WELL POSITIONED FOR THE FUTURE

- New 25-year franchise with a rational financial basis
- Strong management team
- Capital resources to invest in infrastructure and racing facilities
- Strong race program:
 - 113 Graded Stakes,
 - 40 Grade I's,
 - 41 Grade II's,
 - 32 Grade III's
- Highest purse structure in the country
- Major Technology Initiative
- Restructured racetrack and OTB model

