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Keynote Address

Christopher Kay

Chief Executive Officer and President,
The New York Racing Association, Inc. (NYRA)

Dr. Shane Burgess: Our first panel will be a keynote address. A very important player in the North American racing market is going through significant change, just as I mentioned before, with the whole industry. As one of the racing organizations make up a very significant percentage of market share based on handle, the success of The New York Racing Association is important to everyone in this room.

Our keynote speaker, Mr. Christopher Kay, joined The New York Racing Association in June of this year. Mr. Kay most recently served as COO for the Trust for Public Land. Prior to that, he was a consultant for Universal Parks and Resorts. For five years he was the COO for Toys“R”Us, a Fortune 200 company. He also has sports industry connections, having been a minority owner of Orlando’s AA baseball and a member of the ownership group that sought to obtain the first MLB franchise in Florida. Mr. Kay graduated from the University of Missouri and Duke University School of Law. Please welcome Chief Executive Officer and President of the New York Racing Association, Mr. Christopher Kay.

[Applause]

Mr. Christopher Kay: My pleasure. Thank you Dr. Burgess. It’s great to be here this morning at the Global Symposium on Racing and Gaming Conference, and hopefully you’ll feel the same way about me when my speech is over. When Doug reached out to see if I was interested in addressing you this morning, I welcomed the opportunity. Here was a chance to be among the best, most innovative minds in our industry, and here was also an opportunity to forge some new ties in The New York Racing Association’s ongoing relationship with the University of Arizona Race Track Program, which we view as one of the best and most prestigious programs of its kind in the country.

At The New York Racing Association, we’re very familiar with the UA Race Track Program. Your associate coordinator, Liz Bracken, was with us for 16 years, serving as our vice president of simulcasting until she left, just before I arrived. Prescient would be one word to describe her. On the other hand, we are thrilled

that another one of your graduates, Martin Panza, has recently joined us in the new position of senior vice president of racing operations.

We have a number of other staffers with UA connections. That's why, when you walk the hallways of the offices at our three tracks, Aqueduct Racetrack, Belmont Park, and Saratoga Race Course, you'll not only hear language of racing, but thanks to our UA staffers, you're likely to hear a few other things, like how well the Wildcats men's basketball team did the past weekend.

[Laughter]

Way too much talk about that after the Duke game, I might add.

[Laughter]

For those students in the back, please give me a Bear Down before I start.

Audience Member: Bear Down.

Mr. Christopher Kay: There you go. At Duke, it's much louder. Try one more time.

Audience Members: Bear Down.

Mr. Christopher Kay: That's better. All right. That wasn't so painful. All right. There's a reason we like UA graduates. We know that those of you who complete the program will be well-prepared.

Whether you're part of the business path and trained in race track management, regulation, and pari-mutuel racing organizations, or part of the equine management path, we know that UA graduates are equipped with a great deal of knowledge for a complex and, as Dr. Burgess mentioned, continually changing industry. We know you share a passion for thoroughbred racing and a passion for giving our fans, both old and new, the absolute best possible experience.

Now, from that introduction, you know that I come from a legal, retail, and entertainment background. I'm not a horseman, and I don't have a background in horse racing. That's why I'm so pleased there are students here today because I have a little bit more experience than they do, but I do have the utmost respect for this sport and the people in it.

As a CEO of The New York Racing Association, I have met some fantastic people in this sport in the short time I've been here, at every level, and I am committed to introducing these great people in our sport to the public, who don't really appreciate the great people of our sport. If we have to continually grab someone's attention for one year to think about a three year old, we're not gonna develop the kind of connection, the kind of relationships we need to succeed. When we can connect people in the public to the great people of this sport, we will succeed.

Some of the things that you're going to hear me say today may sound a bit unconventional because I've been on the job for less than six months. I don't have all the answers today, but what I do have is a goal to combine prudent, strategic business decisions with a fresh approach and push the envelope to bring new people to our great sport. We focus on three priorities; the first being enhancing the guest experience; the second, to improve the quality of racing in New York; and third, to move to what we call reprivatization, where our organization will be in a different place from a regulatory and corporate standpoint in 2015.

Let me first address our priority of enhancing the guest experience. It's critical to enhance the experience of our guests, both on-track and off. This is where we introduce people to our sport, where they can become enraptured with this incredible game, and these incredible jockeys and equine athletes. This is also where we introduce people to the thrill of winning a bet, a place where they can learn how to wager more successfully. One of the things I learned in positions at Universal Parks and Resorts — I was in charge of international business development. I was taking our brand to places in China, Korea, Singapore, and elsewhere. At Toys"R"Us, we obviously were both national and international. In order to succeed, it is absolutely essential to focus with laser-like precision on your guests. Because we invite them to our stores, to our theme parks, to our facilities, we treat them as our guests.

It's no different in this industry. Our fans are the lifeblood and the future of our industry, and we need to treat them as such. This year, we started treating people as our guest. Now, when we say "our guest," who are we talking about? That's the other thing you learn in the theme park business, in particular. It can be a mistake to think of all your guests in the same way. We all segment our guests in various ways: age, gender, and whether they're a novice, casual, or core fan. We also segment the market with their financial commitment, from the person who will bet less than \$1.00 to a person who's been an owner for horses for two decades.

Let's look at some of the market segmentation. On one end are the novice fans, people who don't know much about horse racing and come to the track for a day of fun, usually accompanied by family or friends. These fans want to watch some races, bet a few dollars, and be entertained. We see a lot of novice fans at Saratoga, people in town and on vacation with their kids for a weekend, and it is for them that we need to create a great experience. The food and beverage, the music, the ambience, this is all very important. We want to make their visit an easy introduction to an enjoyable, often multi-dimensional experience. We want them to come back for more of the same.

In the middle are the casual fans. They know the track. They've been with us before, and we need to ensure that they will come back again and again. Casual fans know racing and the quality of our product. For them, we need to provide reliable, friendly, attentive service, a clean facility, and, of course, great racing, again, with reliable times and reliable cards. We want them to learn about how to

succeed when wagering and about the people that succeed in our sport. We want to make, what we hope, will be a lasting connection.

Our goal is to create special experiences for both the new and the casual fan, and for both, we're working hard to reaffirm what it means to serve, really serve, our guests. That means something as simple as engaging our guests the moment they enter our grounds, for example, giving them a "Good morning," when they arrive and a "Good evening," when they leave. It means answering their questions and giving directions in a prompt, friendly manner. It means handing our amenities as needed: a map, or perhaps a quick primer on wagering. It means connecting with them on their needs and desires whenever and wherever possible.

It also means collecting data about those folks, their habits, from the moment they arrive in the parking lot until they depart, and even thereafter. We not only can talk to them about their needs and desires, but with this data, anticipate their future needs and desires. That means going the extra mile. We don't just point people the way to the paddock or the mutuel window. We walk the guest there. Race tracks are big places. People can get lost. Satisfying them in every way possible is paramount. That way they go home, they tell their friends and family what a great time they've had at the track, and they come again. Word of mouth, particularly on these days of the internet, can be great advertising and doesn't cost a penny.

We have to keep that in mind, that race tracks have a special challenge. Many of our guests will lose money by the end of the day. We have to work extra hard to ensure that they leave with a good feeling. Not about losing, but about us. How do we do it? Well, it starts, frankly, with management. We are out there every morning walking the property. We start walking the property around 6:30 to make sure that all of our tote machines work, that all of our video boards work, all those basic things, even though you do it day in and day out. For the person that's coming for the first time, we want to make sure they have a flawless experience.

We walk throughout the day, asking people what they're doing, why they're here. I mean, this is — I'm embarrassed to tell you this, but I meet this one guy wearing a Cardinal baseball hat. I find out he's here for his 84th birthday. We've never sang "Happy Birthday" to people before. We made a point of singing "Happy Birthday" to him and others. We had people who, as a result of our efforts, proposed in the winner's circle. We had people who had weddings. The more we talk to people, the more we find out how important the race course is to them, the more we can do for them and make it an even more special part of their lives.

The other thing is that when we walk, we not only talk to our people — I mean, to our guests, we also talk to our people. Our people, I think, have been told what to do for years, and they were just glum. We said, "We want you to smile. Treat these people as guests to your homes, and by the way, what do you think? What can we do better together?" We engaged in training. We took — every one of our employees took training in the Americans With Disabilities Act to learn how to serve guests with special needs. The lessons learned in those training sessions apply to

all of our guests. We created name badges. Everybody knew their name, so you could connect — a guest would more readily connect with one of our employees, and, of course, it also provided for greater accountability. We encouraged the staff to give us their ideas, and we implemented several of them.

Our employees immediately embraced this new approach and it showed. I won't go through all the success stories. They're too numerous to detail here, but I'll just mention a couple. There was Sandra, a parking lot attendant who, at Saratoga, would borrow a staff golf cart in order to drive lost guests to the correct parking lot about a mile away. There was Len, a peace officer, who was finding a lost boy. He did his job. He called to the office and stayed at his post until the boy and his mother were reconnected, and he kept that child calm for over an hour while the boy was very nervous.

We held these employees up as examples for all of our employees. Each day we recognized one employee as our Unsung Hero. Their name, picture, and the work or service they performed were included in our daily news circulation, *The Overnighter*, and displayed on our two large video screens with our world class announcer, Tom Durkin, announcing what that particular employee had done to earn the award. We then gave the recipient of the Unsung Hero Award a DVD copy of Tom Durkin's commentary, of the video screen, and plenty of copies of *The Overnighter* to send to his or her friends and family.

When we first started the program, we had only one or two people we could even think would be the nominee for that next day. By the end of our forty-day meet, we would have eight or nine people that had done something the day before that made them worthy nominees. It was a dramatic change. What these stories show is that our efforts to enhance the guest experience is working, and that goes not only at Saratoga, but at Belmont, where we race this fall, and at Aqueduct, where we are now and will be until the end of April.

How do I know? Well, there have been a number of examples, like the one I just gave you, and I've received letters and emails from countless people describing to me wonderful things that our staff has done. The newbie telling us about a mutuel clerk who took an extra minute to patiently help him place his first ever bet, helping to make it a memorable day at the track. It was the guest writing in, impressed that we had found and returned her lost wallet, money and credit cards intact. It's the track veterans claiming that this was the most enjoyable year they'd spent at Saratoga in the last dozen because the people appear to be glad to see them. These are true stories, all of them. Enhancing the guest experience helps employees as well. It boosts their morale with the knowledge that their actions are meaningful and appreciated.

Beyond these supporting comments, we have data to suggest that this initiative, which we began this summer at Saratoga, was successful. There are several different ways to measure the success of a meet. One way that has been used in the past is to measure through attendance. The attendance of the Saratoga meet was 867,182, roughly the same average over a five-year period. Now, some

members of the press tend to focus on attendance more than I do. Attendance doesn't spend money, people do. When people spend their money, they're telling you what they really think.

A more meaningful way to evaluate the success of a meet is to look at the financial data, starting with handle. The handle for this Saratoga meet was 586,685,156, which represents the second highest total in the last five years, missing it only by \$3 million, and that was, in all likelihood, due to the fact that we had a scorcher of an opening day.

Another way to financially evaluate the guest experience is to look at how much money our guests spend while they are at the track on food, beverage, and souvenir merchandise. In fact, the amount spent on such items, per caps, was 15.2 percent higher this year than last year and a record high for us at Saratoga. Now, for those of you that were at Saratoga, you know that we celebrated our 150th anniversary. If we exclude out that 150 anniversary merchandise, our per caps were still up 12 percent, making it, again, a record high.

Turning to the 2013 fall Belmont meet, we saw an increase in all these metrics including attendance up 10.6 percent, and handle increasing 9.8 percent over last year's fall Belmont meet. We started the Aqueduct meet only a month ago, and those results are encouraging. Daily attendance is up 2.3 percent. Total handle has increased 8 percent. People are staying at our parks and tracks longer, enjoying themselves more, spending more money at the betting window and elsewhere.

This said, I believe we can model some of our guest experience at the racetrack in a similar manner to what we did at Universal theme parks. At Universal, we created different areas and different islands, each with various amenities targeted to specific segments of the guest population. A new experience at the track can be a new dining experience, like the series of food trucks like we introduced at Saratoga in prior years, or the 550 new high-definition television screens and the 2 high-definition video boards we'll be introducing at Saratoga next year. We're also going to be creating an area where young people and their families can touch a horse, and develop a different kind of connection with our equine athletes.

Since many people come to the track to gamble, we have introduced some new and innovative wagers, at least for us, that are more accessible for the new fan and attractive for the casual fan including situations where they can wager as little as 50 cents and make a big score. We recently concluded our fall Belmont meet. We used the 50-cent Pick 5 to help set that five-year high in both the all-source and on-track handle. Now, I don't claim this is an innovative wager for the country. We're just catching up. It just gives you an example of when you provide new ways for people to wager or new ways for people to enjoy themselves, you're going to have an uptick in your attendance, in your handle, and in your per caps. We're taking steps to introduce more people to our sport as novice fans, getting them engaged in the experience and the thrill of winning, to convert them to casual fans.

Another and extremely important segment deserving of our focus are, at the other end of the spectrum, our core fans. There are many gradations of core fans, based primarily on how much they wager. Some core fans are on-track, but many of them are off-track. I'll discuss what we do off-track in a moment. For those that are on-track, we find ways to meet their needs. We provide them with special gazebos to watch races, or private rooms for them to conduct business when they need to. Most importantly, we listen to what they want and to what they need, and try to respond as often and as completely as we can. I appreciated their comments that they made to us with respect to the field size, the number of races on the card, and the quality of our racing, particularly during the winter months.

A further and very important segment is the owners. These are the people who have often devoted their lives to our sport. It's imperative we provide them with a kind of ultimate guest experience, making sure their experience at the track is comfortable, and that all their needs, particularly their individual needs, are met. That means employing all aspects of the enhanced guest experience with a touch of creativity. One prominent owner, for example, always asks for a certain, very reliable peace officer, be assigned to him. We've done that, and we'll continue to do that because it makes a difference.

Recently we met with representatives from Keeneland, Del Mar, and the Stronach Group to explore how to provide a better experience for our owners as they move from one track to another. We all want to provide a first-class experience for our owners on a consistent basis, and we're now sharing our information and best practices to achieve that goal.

There's one other very important segment. They are the potential owners, the future of our business. They tend to be people who have found success in other businesses, particularly as entrepreneurs, and they already like horse racing. Our goal, then, is to really capture these potential owners by exposing them to some of our finest owners, our finest jockeys, and our finest trainers. These are the best in the business, and they're committed to helping us build our brand, and they serve as wonderful ambassadors and recruiters for new owners.

We intend to work with them to create a new way to market the excitement of owning a piece of a sports franchise and creating a whole new generation of sport moguls. Particularly in Manhattan, we have an opportunity because so many people love to be a sports owner, but they're not gonna own the Giants. They're not gonna own the Yankees, but they can start by owning a piece of one horse, and then a horse, and then several. We have great owners, who talk about the thrill it is for them to be in that winner's circle with their horse, and how it surpasses many of the thrills they've experienced in the business world.

At Saratoga, we will hold breakfast and lunch seminars for new and potential owners. The events we've had in the past have been sell-outs, very successful. We're gonna try a little bit different approach this year, so that people will end this experience at Saratoga, as opposed to beginning it there because we want to

enhance this program and work with our colleagues at other race tracks to inject new blood at the ownership, syndicate, and partnership levels across the industry.

Our task is to look at all these segments and create marketing strategies for each of them. In addition, we'll also look at the demographics, principally people by their age. That means doing everything we can to attract the 18- to 34-year-old segment. Our industry is no different than any other. Mind you, at Toys"R"Us we always worried about getting the 18- to 34-year-old segment, and we always wrung our hands because we didn't feel we were catching them enough. It's true in every business.

Capturing that young adult demographic is — well, as I said, is prized in just about every industry, but we have some unique attributes to offer. Pouring off the Long Island Railroad and into Belmont Park on Belmont Stakes' Day last June were waves of 18 to 34 year olds. Many were well-dressed and in a holiday mood. They came out for a party, for the social aspects of the day, and for the excitement of watching premier racing. Many of the guests had attended previous Belmont Stakes and seemed to know their way around. To us, the question was not how to make sure they would be here at next year's Belmont Stakes, but — because we believe they will be. The question is how to attract them to come at other times of the year.

We know that other top tracks take different tacks to attract fans. Del Mar has a long-standing concert series. Gulfstream Park hosts comedy shows. Delaware Park has racing, the slots, and my favorite, a golf course. Keeneland has "The Hill." Santa Anita recently hired Gene Simmons, he of considerable face paint and the rock band, KISS, to bring the power of celebrity to the track. We have, and will, employ some of these best practices. Along the same lines, we are working to create a great place to party, as well as a great place to see some of the finest horse racing in the country at all of our tracks. When I say, "A great place to party," we are ever conscious of the fact that there are different market segments that have different ideas about what constitutes a great party.

Aqueduct Racetrack, where we race from November to the end of April, is the only race track in New York City. It's in the borough of Queens, close to the JFK Airport, and easily accessible via highways and on train. By virtue of being a short distance to Brooklyn and Manhattan, it's very close to a large population of those 18 to 34 year olds, the same young adult crowd who attended the Belmont Stakes, who have disposable income, and are known to be enthusiastic about retro-activities like bowling, arcade games, and pool.

In New York City, you'd better have a place with a buzz, a vibe. How do we give a new vibe to a race track that's been opened since 1955? How do you introduce such a place to a whole new generation of urban young adults? Well, a couple of weeks ago, we held, at Aqueduct, the first ever racing-themed street art show. In hosting 14 contemporary street artists, we drew a lot of new fans to our track. We created buzz. We authenticated the cool factor of our brand in the eyes of this target demographic, and perhaps most important of all, we at The New York Racing

Association are showing that we can work outside the box and provide that kind of thinking to our sport.

Now, for those of you that don't know what street art is, these are artists who use a spray can to create paint — I mean, to create images. I welcome you to come to Aqueduct to see it. It's incredible, but it's also a feature story on page C-1 of today's *New York Times*. The other great thing is, you can paint a wall — repaint it white. You pay a painter to do so, or you can have a visual statement that will be there for years, that is interesting and intriguing, and connects with some of our fans for the same cost.

We're also focusing on another critical demographic, women. On the one hand, many of the steps we're taking to enhance the guest experience are already targeted to women. By making a visit to Saratoga or Belmont a more pleasant experience, we're making it more appealing to women, families, and their children. If it's one thing you learn in the world of retail, it is that women control the pocketbooks of this country. Over 80 percent of the spending in this country is done by women. If it's one thing you learn in the theme park business, is that women play the predominant role in decision where to go for vacations, even weekend vacations. Targeting women makes sense in every respect. We're doing our best to make this an experience that women of all ages will enjoy.

Consistent with my desire to connect our fans to the great people of racing, I want to bring people's attention to the great women of our sport. Shortly before I became CEO, I had the opportunity to meet Marylou Whitney. I was impressed with all of the contributions she has made to the sport and to the Saratoga area. Both are extremely significant. What we wanted to do was honor Marylou as a horseman, as well as a philanthropist. She bred, raced, and stands Birdstone, winner of the 2004 Belmont Stakes and Travers Stakes, and she bred and raced champion filly Bird Town, making her the only woman ever to breed and race a Kentucky Oaks winner. She knows her way around the winner's circle, as reflected in the fact that she is an Eclipse Award winner.

Marylou is not the only woman who has made great strides in this sport. I would sit between races and watch our video screens in the infield, and realize there was a tremendous opportunity to connect our fans with the great women of this sport. We started a series of interviews with some of those great women including owners such as Charlotte Weber, owner of the Live Oak Plantation, and Laurie Wolf, leading a new generation of women owners who are part of the syndicate, StarLadies.

We interviewed successful women trainers, such as Linda Rice, and top jockey Rosie—no, I'm not gonna say her last name. I mispronounced it once, and she said, "Don't ever say it again," *[laughter]* so I don't. She had a whip in her hand at the time.

[Laughter]

All these interviews were conducted by our own on-screen paddock analyst, Maggie Wolfendale, and we displayed them on those infield boards over and over again, so people would understand who these women are, the impact they've made in the sport, to create a greater level of appreciation and connection. We're putting them in the spotlight.

We created a number of events with women in mind, starting at Saratoga. We had a day of racing called Fabulous Fillies Day, in which we invited women to lunch with Marylou Whitney, and encouraged them to wear pink and big hats, and have a grand time. There was a fashion show. We honored Marylou for all of her achievements and contributions. The lunch was a lot of fun, the talk of Saratoga, but the most important thing was it raised over \$100,000.00 for The Breast Cancer Research Foundation. It was a big success. Without much time, we were able to conduct a similar event at Belmont in October, and we'll do more of the same going forward because we want to have that kind of important partnership with a specific foundation, in this case, The Breast Cancer Research Foundation.

You combine that with the family nights that we have, where you can get in for a reduced price, or pay \$1.50 for a hot dog or a Coke at Saratoga. We have pumpkin picking and country concerts at Belmont during the fall. These are the kind of family events that women like. You add it all up, and we're finding different ways to connect with different women at different levels with different issues.

The final on-track demographic I want to address has relevance across many of the programs I've mentioned. It's people with disposable income, looking to spend a portion of it in a sports or entertainment venue. They're a large group with the means of going to the track or somewhere else for their entertainment dollar. The question for us is a broad one. It's one that we've already started to address. What kind of activities or amenities do we need at our sites in order to be competitive with other entertainment and sport venues and what they offer?

The recent street art project at Aqueduct is one of the ways we're reaching out to non-racing people with disposable incomes, and giving them a reason to visit the track. We did the same thing as traditional Open House before the start of the Saratoga meet. We hosted a free concert with the Disney star, Zendaya, which drew more than 20,000 people on a day when the temperature was in the mid-90s. Now, I know that's just another day for you here in Arizona, but in Saratoga, that is pretty damn hot. The key is, though, one reporter noted that there was an army of mothers and daughters, hand-in-hand, streaming into the Saratoga Race Course for a memorable experience. This was an experiment, but the audience loved it, and the reviews were great.

The message is clear. We need to keep thinking outside of the box. Most importantly, we need to continue to find ways to connect with people differently, but always with the goal of providing them with a day of enjoyment, of great races, and of a place where they can go to have a great time with their friends and family. We will be doing more of the same in 2014. We're going to be creating areas where families, young children in particular, can touch one of our horses. As I

mentioned earlier, we will be installing 550 new flat-screen televisions and several new high-definition video boards in our backyard, grandstand, and clubhouse. This will keep people at our track longer. We're also making a statement about the quality of our experience.

At Belmont we're going to create a more intimate experience for our fans near the finish line. For those of you that know, we have a very large facility that can easily hold over 100,000 people. We don't have 100,000 people every day. We're going to bring those people into a greater, smaller community, so that if I lose, I at least can enjoy the screaming of the person next to me because he or she has won. We're also going to find ways to create a great tailgating experience on our big event days at Belmont.

These are some of the steps we will take in 2014, but really there's an even larger question, and one that's considerably more costly. How do we compete with other major sports venues that have been built in the last few years and offer so many things to so many of their fans? That is part of our challenge in New York. When you look at the facilities of the Yankees, the Mets, the Giants, the Jets, the Rangers, the Nets, the Islanders, they're all in facilities that are less than ten years old. If you've been to any of those facilities, you know they're providing more than just the game to their guests. The challenge for us is what will we provide to our guests in our existing facilities and to what extent can we renovate them or provide new facilities.

That's just a few comments about what we're doing on-track. What are we doing off-track? Well, quite a lot, actually. It starts with our ongoing project to create a state-of-the-art social media platform and high-definition television and internet video streaming, that I hope will be second to none. Considering the ratio of off-site fans compared to on-site is now about 5:1, this is absolutely critical. Again, when you think about who our competitors are, when you go to the internet, or when you go to cable, you're gonna see high-def on NFL, on MLB, on NBA.

We need to be at the same place. That's why we at The New York Racing Association have, in recent years, devoted considerable resources to upgrading our television and internal video. Off-track fans simply must have the best, clearest view of every one of our races, whether they're watching from their living room, or at the simulcast center, or from their laptop, their tablet, or their smartphone. It's also important to provide them with the maximum degree of quality information during the race. To make that happen, we recently installed the Trakus at Belmont Park, and are doing so right now at Aqueduct. We will be there at Saratoga in time for the start of the 2014 racing meet.

Most of you are familiar with Trakus, so I don't have to go into a lot of detail. In a nutshell, Trakus enables viewers to follow the precise position of each horse throughout a race via colored chicklets at the bottom of the television screen. What I find to be the greatest potential for us is that it collects a great deal of data about things such as the total number of feet traveled by a horse, the average speed during a race. When you combine that data with the kind of data we now have

about the track itself, we can provide the interested wager with a great deal more data, and do it in a format that's easy to understand, that can really help people believe they have a much better understanding, and therefore a much better chance of winning, when they place that next wager.

Meanwhile, we're providing all our off-track patrons with a lot of amenities in between the races, the latest in racing and handicapping information and analysis from our top-notch broadcast team, which includes Tom Durkin, whose voice you probably know. It's a comprehensive platform that gives customers the best possible visual and wagering experience in the business. Because it's online, we can use the analytics to adjust and make it better.

Along with Trakus, we have just entered into another new partnership with an industry leader, this one with a well-known advanced deposit wagering, or ADW provider, Global Betting Exchange, or GBE. The way we see it, this is the kind of pairing of the best with the best, like our relationship with Trakus. We look forward to GBE's expertise in providing us with the technological upgrades to our ADW platform, NYRA Rewards, and making online wagering easier and more efficient. Most importantly, we want to also be well-positioned for the day of exchange wagering, and GBE is the best in the world in that area. We project to offer our new platform for our wagering customers in late April, prior to the Kentucky Derby.

Those are a few comments about what we're doing and why enhancing the guest experience is so important. What you all appreciate, of course, is the quality of our racing and our commitment to make it better. No matter what business you're in, and I've worked in several, there's one fairly obvious fact. There is no substitute for a quality product or service, and for the quality of our people in our organization that provide those products and services. We have an experienced, diverse team at The New York Racing Association, a team that is hungry to do some things differently so that we can win, and of course, in all cases, to do things the right way.

Like any good team, we're constantly on the search for top talent. That is the reason we have just brought in a new member of our team, Martin Panza, in the new position of senior vice president of racing operations. Many of you already know Martin. He is the former vice president of racing and the racing secretary at Betfair Hollywood Park. Most importantly, he is among the best, most innovative minds in thoroughbred racing.

As such, Martin's mandate with us is both broad and intricate. He will lead our team in defining best practices for our racing product, and he will work with the state of New York's new equine medical director on issues involving equine and jockey safety. He will lead the way to ensure that we have quality racing and, most importantly, that it is sustainable over the long term. That means we need to have a better idea of what races will be run on a daily basis, the appropriate fields for those races, and the appropriate purses.

At this point, we have many options. We have to determine how to use our significant purse money to ensure the quality of racing for our fans. To grow our fan base, we think the key to our success is to make those big event days even bigger. With so many sports entertainment options available, we need to shine on those days when more people are watching us, like the Belmont Stakes and the Travers. One thing I like most about Martin is his entrepreneurial spirit, coupled with his love and respect for this great sport. That's why I'm looking forward to working with him to make those big days even better.

As a result, I'm excited to also see what we're gonna do with the approximately \$6.2 million more we will have in purses in 2014 than we had in 2013. Not only will we use these monies to create greater purses, greater quality, and greater buzz for our big event days, but also the development of new big event days. These are questions for Martin to tackle. Based upon his accomplishments at Hollywood Park, we're confident that he is the right person to lead our racing team. After all, it was Martin's leadership that led to the creation of the American Oaks, the prestigious turf race for three-year-old fillies that received a Grade-I ranking in its initial year of eligibility. Martin also produced a sponsor for that event, American Airlines, and was able to recruit horses to the race from Europe, Asia, and Australia. For these reasons, and many others, we are very happy to have him aboard, and he will lead our efforts in improving the quality of our racing and maintaining our high standards.

In a sense, our goal is to ensure, as the McKinsey study recently stated, that the core values of racing remain strong. It is to achieve what they just said at a McKinsey symposium, that the flight to quality racing, the enduring public interest in graded stake races, will apply to The New York Racing Association. We believe we have some of the finest racing in the country. We're committed to creating even more of that product in 2014 and beyond.

Meanwhile, we're looking hard at another critical issue in our industry, reducing the number of horse fatalities. I'm sure you're all aware of the stories that were written in 2012. Our mission at the new New York Racing Association is to meet the highest standards in thoroughbred racing and equine safety. Thus, equine safety is extremely high priority for us. We're in the process of training more of our security personnel to become skilled investigators, to determine if inappropriate medication utilization has occurred.

We've created a policy of heightened security in the 24 hours before our biggest races, like Belmont Stakes and the Jockey Club Gold Cup, by installing round-the-clock guards and cameras in the barns of competing horses. We've also established an equine safety committee to review and assess fatal equine racing and training injuries at our tracks. These were among the key recommendations set forth by the New York Task Force on Race Horse Safety and Health in 2012.

The results have been very encouraging. Comparing 2012 to 2013, as of this moment, we have reduced the number of racing fatalities by one-half and have now maintained a rate that's significantly lower than the national industry average. As

we look forward to 2014, we will continue to take additional steps to improve equine safety including, number one, we're in the process of hiring a veterinarian that will be dedicated to working with our Horse Watch Detail to identify any type of inappropriate medication activities on our property.

Number two, we're installing surveillance cameras in the test barn, assembly barn, and receiving barn at all three of our facilities, and determining and testing whether additional security cameras would be beneficial. Number three, we're in the final stages of an extensive review and modification of our existing house rules, which we will finalize in consultation and cooperation with the new state equine medical director that will assess additional penalties for those that violate the rules. We want to clean up whatever needs to be cleaned up. We want everyone to understand how good our sport, and how clean our sport really is.

Another goal is to keep our focus firmly on doing everything we can to boost the New York State racing industry and its substantial economic impact on the state. People unfamiliar with racing are often surprised to find out how much economic impact the equine industry generates for the state of New York. Overall, some 32,000 people work in the state's equine industry. That's a lot of jobs. We contribute \$4.2 billion in annual economic impact to the state's economy. Our Saratoga race meet alone generates a \$200 million annual economic impact to the nine counties surrounding the Saratoga Race Course.

As the cornerstone of our industry in the state of New York, The New York Racing Association has fully embraced its mission to contribute in every way possible to the future of our industry. This fall, for instance, we featured seven stake races with the New York bred horses on Empire Classic Day at Belmont Park. If you don't recognize the name of the winner of the \$250,000.00 Empire Classic that day, Saratoga Snacks, you've probably heard of his owner, the Hall of Fame football coach for the New York Giants, Bill Parcells. With our focus on New York bred horses, and significant stake races for those horses, we are playing an important role to improve the quality of racing in New York.

This corresponds with another action underway at The New York Racing Association, our comprehensive look into every part of the state of thoroughbred racing. We're looking at racing from every perspective, from the handle, to the foal crop, and the field size. We're doing so to determine how to make things better and respond to changes in this industry. If you look at every industry, there's been a certain amount of ebb and flow, particularly since 2008, but if you also look at every industry, there's a certain amount of market consolidation. How will New York Racing Association play into those events? That's what we're addressing right now.

We're also experimenting. For instance, at Aqueduct this January through March, we will experiment by conducting live racing on Mondays and will be dark on Wednesdays. Now, some people would argue that there is little interest in racing on Mondays, while others say it's a great opportunity since few tracks are open on Monday. We're gonna find out because our job is to provide a reprivatization plan

in 2015, and so 2014 will be a year in which we conduct a variety of experiments to see which ones work and which ones don't. Those that work will be part of the plan for reprivatization. Those that don't, obviously won't. At least we will have tested it, as opposed to simply using conjecture, as we submit our plan to the legislature.

We know there are challenges ahead of us. We recognize how critical our performance is to the industry. The New York racing product accounts for approximately 29 percent of the daily nationwide handle for the third quarter, which included Saratoga. Looking at these numbers over a full year, it's gonna be in the area of 20 to 22 percent. It's imperative that we support our day-to-day racing because it generates significant handle, and because it attracts our smaller and midsized owners, the ones we want to get into our game.

Doing what we can will require a lot of work, the wise use of our resources, and creative ideas. The driving principle is always to improve the quality of our racing. With the recently conducted fall meet at Belmont, and one month into our Aqueduct fall meet, there is real sign that we're moving in the right direction. It's reflected in the key performance metrics, total handle, on-track handle, attendance, all of which are up. We're on the right course. Rest assured, we're looking at all the issues. We're gonna take action because there is room for considerably more improvement for our organization.

Which brings me to the final point of our three priorities, and that is the reprivatization of The New York Racing Association. In 2012, Governor Cuomo placed the Association under the majority control of the state with a mandate to develop a reorganization plan by October 2015. The governor has appointed some tremendous members for this new board of directors. Some are people with decades of experience in racing, and others have a wide range of expertise in business, finance, real estate, television, media, entertainment, and equine safety.

Some of the racing names you may recognize, Stuart Janney III, for instance, and Michael Dubb. Others you may recognize, but for reasons beyond our sport. Bobby Flay, the renowned chef, restaurateur, and Thoroughbred owner is a member of the board, and so is Jane Rosenthal, the acclaimed film producer and cofounder of the Tribeca Film Festival. Our chairman is Dr. David Skorton, a cardiologist and the president of Cornell University, and a person with great expertise in corporate governance.

This group is more than just a collection of people with impressive credentials. They care deeply about what is right for The New York Racing Association. They bring a unique and valuable perspective because they're used to working on many of the same issues that we face, only in different industries. One of my major challenges is bringing out the best for the experience of each one of them, and doing it in a manner that respects the many demands upon their time. We've worked in many industries. We've worked on a wide range of legal, financial, and regulatory issues, and now we're working together with different stakeholders, like big government, to create the right structure for the future.

Perhaps, most important of all is that many of our board members have been successful in solving unique problems and responding to new situations. Clearly the situations involving The New York Racing Association are both unique in terms of their challenges, and unique in terms of the situation. We have an opportunity to create an organization that will have many unique and diverse aspects, but we've got to get it right. We debate, and you can watch those debates because some of those debates are on television. I've been involved in a couple different turnarounds. We've never done it on TV before. The important thing is, whether it be on TV or not, that you have the ability to have all views vetted to get the best result.

Our job is to create a sustainable financial and business model for the future of our organization. We need to look at this from the standpoint of bringing in new fans, new owners, new ways to be entertained, and new ways to connect to people both on-track and off. We need to look at what changes, if any, need to be made to our laws. We need to look at what changes, if any, need to be made to our real estate interests. Finally, we need to look ahead to foresee the trends in our sport and build a platform that will be nimble enough to meet changing consumer demands as they occur.

To help in our efforts to plan for the long term, we've retained a consulting firm to obtain data and information on current and future industry trends in horse racing and, more importantly, in other sports and entertainment venues, so that we may analyze various scenarios for each race track, weigh the cost, project the return on investment, and create a well-informed and comprehensive plan for our business growth. As we talked about, we're cognizant of the fact that more people bet off-site than on-site, and we're fully prepared to do what has to be done to put us in a better position as an organization to improve revenue streams from television, from internet, and mobile wagering platforms.

To put it another way, we know that what's good for our guests, both on-track and off, is good for our bottom line. We have the opportunity to create a new structure, a new business plan, a new financial foundation, a new set of revised regulations, new corporate governance for the future state of The New York Racing Association. As I said, many of you will be able to watch us as we do this work, as we evolve, because all of our board meetings are televised.

I've outlined a number of challenges, but to everyone here, and particularly the students, I have a message. Please put aside any dire stories and blogs that forecast the demise of thoroughbred racing. Other blogs are forecasting the demise of everything else from the NFL to life as we know it in America. Negativity has found a home in the blogs and internet chat rooms of America. Look instead for opportunity because you're about to enter our business at a great time. What we have before us, right here, right now, is an opportunity to create a new generation of thoroughbred racing fans through new communication channels that didn't exist ten years ago.

We talked earlier about the importance of capturing the attention of the 18 to 34 year olds, the millennium generation, who thrive on instant gratification. Frankly, all of us are beginning to thrive more and more on instant gratification. We want it now. If you go to a baseball game, you have to wait nine innings to see if your team won. You can be a winner nine times in a row at a race track today. That's the kind of gratification more and more of us are gravitating to, and that's the kind of gravitation our sport provides.

In addition, we all want to think we're smarter than the next person, and we want to show it. It used to be, you would bet on a football game 'cause you — I have better idea than you who would win the game. We don't have any control over the game. It isn't our team, and so what happened? We created fantasy football, where you could take people from this team or that team to make it yours because we've become more and more a customized nation. We don't have to do that in horse racing. We have the information right now that I can go through, where I think I know what I'm doing. I'm educated in placing a bet for that one horse or that one jockey. I don't have to create some fantasy. There is the reality. It's happening on our track, and it is the kind of thing that resonates with people who want to prove that they're smarter than the rest of the crowd, and that's us. That's all of us.

We're experimenting to find out how we can get new fans to our sport, particularly people in their 20's and their 30's. People like you. We're experimenting on how to connect with people through new software platforms, tablets, and cell phones. The devices you know better than the rest of us. In other words, we're trying to get people like you to become lovers of racing for the rest of their lives. You already have that love. You are in a position to teach us. You are in a position to help create a fantastic opportunity for our sport for the years to come.

I wish you the best of success in doing so. As I said before, we're very pleased to have a number of UA grads. We look forward to having more in the future. Sorry it took so long, but I will be glad to answer any questions you may have at this time, except for those on price increases.

[Laughter]

Thank you.

[Applause]