

TDN Q&A

With the opening of the Resorts World Casino at Aqueduct Racetrack late last year, the dreams of the New York racing community through a decade of delays and unfulfilled promises started to



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become reality. Horsemen have already begun to reap the benefits in the form of dramatically higher purse money and plans for capital improvements at the tracks. Even the weather gods have shined on the Empire State, harkening an earlier-than-normal return to grass racing. With the biggest weekend of spring racing at Aqueduct a couple of weeks away, Charles Hayward, CEO of the New York Racing Association, took

time out of his busy schedule for a brief Q&A session with the TDN.

TDN: *What do you see as being the net impact of the Aqueduct casino on racing operations on the NYRA circuit and the state of New York at large?*

CH: When it was clear that Genting was signed on and that the casino was going to open by the end of 2011, the New York-bred yearling prices in 2011 had an increase of 46% and the median price was up 67%. Two-year-olds in training, the average there rose 21% and the median 25%, all very positive indicators. The New York breeders awards, which are the monies paid to breeders and owners for horses that win and win in open company as well, that fund is going to increase from \$10 million to \$20 million, so that's going to help the breeders who have been in a tough spot. So, that's all very optimistic. As you know, there have been many Kentucky outfits that have moved some operations to New York. For example, Frank Stronach has sent some stallions to Joe McMahan's farm, Darley has brought a stallion to New York (Girolamo) and he's been booked to 120 mares, so obviously there's a lot of excitement on the breeding side of things. Obviously, it's going to be a few years before those horses race as 2-year-olds, so our foal crop is going to go decline in the short term, but there's a significant reversal going forward.

TDN: *How have the numbers looked on the racing side?*

CH: We started off 2012 very strongly. During the month of January, we were about flat on handle, but January is kind of tough getting going--the weather isn't great--though we had four cancellations in 2011 and just one this year. But daily handle has gone up nicely.

One interesting number that we look at is that we have 12 trainers who made zero starts over the winter in 2011 who made over 10 starts this year, guys like Dale Romans, Eddie Kenneally and Jason Servis. Bill Mott never had horses here over the winter, Jimmy Jerkens left some horses here for the winter and Steve Klesaris on ship-ins made several starts, so there's no doubt that the purses have enhanced their participation. As far as the purse numbers go, on a daily average, we had projected Aqueduct purses to be up about 36%--they're actually up a little over 40% on a daily average basis. We see a number of horses coming back now. On the racing side, we were obviously able to get Hansen here for [the GIII Gotham S.]. It was a strong field and we were thrilled about that. It used to be that once the Cigar Mile was done on Thanksgiving weekend, we went all the way to the Gotham without much excitement, so doing something like adding in the Withers and the Count Fleet before that helped generate some enthusiasm and we have the Wood Memorial coming up. Alpha won the Withers and is now coming back for the Wood, so we're going to have had plenty of legitimate 3-year-olds coming through New York.

TDN: *Is there any indication that the casino is cannibalizing business away from the racing product?*

CH: I know of a few instances where a husband and wife came out here with a couple of kids, for example, and the father and the kids stayed on the racing side and the mother went and played the slots for a couple of hours. I know there was some discussion that when the slots came in that it was going to cannibalize us by a certain percentage, but we haven't seen that whatsoever.

TDN: *Do you have any comment on the reports that Genting has a broader plan to build a convention center on the premises, calling winter racing into question?*

CH: We haven't seen a plan as yet, but what I can say is that Genting has been a very good neighbor, if you will. Most companies that build casinos at racetracks--you can't find the racetrack from the casino, but on both their first and second floors, they built big patios with a lot of glass from inside, so you can actually stand inside the casino and watch the races. On the big days, there are probably 300 or 400 people out on the patios to watch the races, so that's pretty cool. As we know from history, there's not a lot of crossover from slots players, because that's one type of gambling versus another, but there is always a buzz of activity in the building, a lot more excitement. Genting has been great, and we'll see what might happen with the convention center. It's important to have winter racing and we want to assure our horsemen that it's going to continue.

TDN Q&A cont.

TDN: *Can you talk about what types of capital improvements might be in the works and when changes might be seen?*

CH: We have some different timelines. We had no money to spend before Aqueduct opened, which was unfortunate, because we would have liked to do that. We are going to put \$3-\$5 million into some cosmetic things (TVs, paint, new carrels, etc.) in the building and we are going to spend another \$5 million to build what we would call a state-of-the-art simulcast center, which will be called Longshots and will operate year-round. Genting is actually going to pay to build it out since we gave them more space than what was allocated in the lease. That's just another indication of how good a partner they've been. We've got a significant capital expansion program that's in the works at Saratoga. Not much is going to be done this year, as it's in the planning stages, and we've got \$3 to \$5 million in capital expansion for Belmont as well. We're hoping to build out the first of many new dormitories at Belmont and do that by the end of the year.

TDN: *A few months ago it was learned that NYRA had essentially been 'overcharging' its customers by not adjusting the takeout on certain wagers. Has there been any negative residual impact?*

CH: It was a really unfortunate situation. What happened was, when we got the new franchise in 2008, the legislature increased the takeout rates across the board on win/place/show, which is one category, two-horse bets, which is another category, exotics and pick six. They were all moved up a point. We have ranges of takeouts in each of those areas, but unfortunately, with exotics, it was a range of 15 to 25% and it went up to 26%. We knew the bill was sunsetting, but no one knew that the bill had taken it out of the range. Unfortunately, the takeout rate ended up not matching the law. We did two things. At some point, the total 'overcharge' was \$9 million, but only \$1.2 million of that was with NYRA's customers, either on track or NYRA Rewards. Of that \$1.2 million, we've identified \$400,000 of it through NYRA rewards and are in the process of refunding that. Another \$100,000 is identifiable through tax forms. We can't identify the other customers. We took that 26% and took it down, not back to 25%, but to 24%. Within the year, customers will be repaid through lower takeout. No one was defrauded, but unfortunately it didn't comply with the law. We've accepted responsibility for it and hopefully we can move on.

TDN: *Recently you released the stakes schedule and purse structure for Belmont and Saratoga. You must be feeling very positive about the announcement.*

CH: We are very excited about the purse structure. The maidens at Belmont are going up to \$70,000 and \$75,000 at Saratoga. We have reduced the low end of the claiming ranks. We're taking the bottom up to \$10,000 Apr. 4 and bottom-level claiming at Belmont will be \$14,000 and \$20,000 at Saratoga. We're very excited about the numbers. Last year at Saratoga, we were at \$670,000 a day and that was highest in the country. This year we're going to be a little over \$900,000.

TDN: *Switching gears a bit, how do you feel about the Task Force which has been appointed to investigate the recent breakdowns over the inner track?*

CH: We are extremely pleased with the panel members-- they are all very qualified people. We have two very accomplished veterinarians. Alan Foreman has been involved with horsemen's issues for many years and Jerry Bailey has remained in the game on the broadcasting side. My understanding is that they're going to be drawing on other experts, racing surface experts and other vets. We were most recently certified by the safety and integrity committee in November, so we are turning over their comprehensive report to them. It goes through racing surfaces, veterinary protocols and jockey protocols. We are going to be as helpful and as transparent as they would like it to be.

TDN: *Is there anything else you'd like to add?*

CH: Well, because of the mild weather, we were able to add a couple of extras to the Wednesday overnight, and we will be on the turf for the first time this coming Wednesday. It's always exciting to be on the turf and we're thrilled to be able to do it so early. It's a great turf course, but we don't have a lot of time to use it in the spring, so it's wonderful to get on it so early.