



# EMPIRE state of mind

Aqueduct VLTs Signal a Revolution in the Racing Industry





# EMPIRE

## state of mind

by KELSEY RILEY

**N**o one who makes their living in the Thoroughbred industry needs to be reminded that when the world's economy collapsed in 2008, the Thoroughbred industry's fortunes fell even harder.

In the past four years, the foal crop has fallen 27.3%, tumbling from 34,294 in 2007 to 24,900 in 2011, and stud fees followed suit. In the same period of time, the average price of yearlings plunged 27.7%, from \$55,300 in 2007 to just \$39,982 in 2010. Breeders left their mares open in droves, unable to recoup the investment of a stud fee and the cost of bringing a horse to sale in

the depressed marketplace. A record number of farms are for sale, wagering on U.S. races has fallen almost 10% every year, and U.S. race days are right behind them.

So, when the New York Racing Association announced video lottery terminal-fueled purse increases of almost 40% for its racetracks in 2012, with further increases projected for 2013 and 2014, it might not just signal a change for New York, but for the way the entire industry does business.

"The purse money alone could be in excess of \$40 million, in new money," said Hal Handel, the executive vice

president and COO of NYRA. "So if you start spreading that over 200-plus racing days, it's a very, very meaningful infusion of money, and it really will put New York on a plateau by itself."

Welcome to the 'new' New York racing and breeding industry, where VLTs at Aqueduct Racetrack in Ozone Park, Queens, are projected to generate astronomical gains for NYRA and its three tracks, as well as trainers, owners, breeders and stallion owners, and the state of New York itself.

Genting New York, which will operate the Aqueduct racino under the banner of Resorts World New York Ca-



Charles Hayward, NYRA president and CEO / All photos courtesy of Horsephotos

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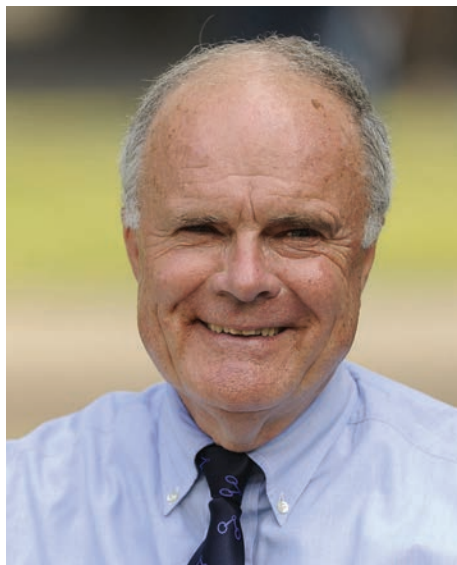


sino, is expecting to install 4,525 VLT machines, with the first flight opening sometime in October and the remainder at year's end. Genting recently announced that 475 electronic table games would be added to the casino project.

Once all of the machines are up and running, NYRA estimates they will generate \$574,875,000 in revenue per year. This figure is based on the estimated \$350 per day that NYRA is expecting each machine to gross (called the win-per-machine figure). Genting and the state have already written into contract a schedule for distribution of the revenue, which shows great gains for the racetracks and breeders. For the first year of operation (autumn of 2011 to autumn of 2012), 6.5% of the VLT revenues has been allocated to purses. That works out to over \$37 million going straight into NYRA's purse account in the first year, with an increase to 7% for year two and 7.5% in year three. In 2008, NYRA paid a record \$122 million in purses between Aqueduct, Belmont Park and Saratoga, and the number dropped to \$100 million in 2010. According to NYRA president and CEO Charles Hayward, NYRA has yet to decide how specifically this \$37 million will be spread amongst the existing purse structure, but those details should be finalized in a December NYRA board meeting.

The New York Thoroughbred Breeding and Development Fund will also benefit, with 1% of VLT revenue allocated for year one, and 1.25% and 1.5%, accordingly, in the following two years. For year one, this means an additional \$5.7 million for breeders, an especially significant sum that would erase the deficit that has plagued the breeding fund since 2005.

A significant slice of the VLT pie will also go to proactive efforts such as racetrack improvements and marketing of the casino. NYRA is expected to receive \$22 million in the first year for capital expenditures (4% of VLT revenue), which will be dedicated to maintaining and upgrading the NYRA racetrack facilities, both frontside and backside. Another 3% (over \$17 mil-



*Hal Handel, NYRA executive vice president and COO*

lion) will go to NYRA for their general racing operations. In addition, Genting will use 8% of the VLT revenue in the first year for marketing the Aqueduct racino.

The remaining 44% will go the state

for education. The percentages for year three will be effective through the remainder of Genting's contract, which is 30 years, with a possibility of 10 more years based on performance.

While the rest of the industry struggles to find its footing in the new landscape since the global recession, major farms are opening or eyeing divisions in New York, and breeders in the Empire State are preparing for a sea change, as racing New York-breds is about to become as sure a thing as exists in racing.

Numerous Kentucky-based operations have expressed interest in getting involved in New York with the lure of newfound revenue. Dr. Tom Simon's Vinery, a Thoroughbred industry powerhouse with operations in Kentucky, Florida, Australia and New York, is at the forefront of the blue-blooded operations that have already expanded, or are considering expanding, into New York. It started when Vinery moved their stallion Posse to Empire Stud in New York for the 2010 breeding sea-



*Vinery New York stallion Posse / Courtesy Vinery*





*Vinery New York, Sugar Maple Farm*

son. Posse proved popular among New York breeders (he covered 86 mares in 2010). Sensing major growth on the horizon when the Aqueduct VLT project was finalized in September 2010, Vinery began to shop for property in New York. Later that year, Vinery executed a deal to lease Empire Stud and moved Purge, who previously stood at their Florida satellite, to stand alongside Posse. A few months later, Vinery added the lease of Sugar Maple stud in Poughquag, New York, to its Empire State interests, which now total two leased farms (including Empire and Sugar Maple's existing stallion rosters of a combined 12 horses), Posse, Purge, and a small broodmare band that will expand for 2012.

**“I just think things are going to get better and better in New York. We're running this for the long haul.”**

– Tom Ludt

“Our whole plan is to continue to improve the quality of pedigree and the quality of stallion prospects for the New York market,” said Tom Ludt, president of Vinery. “We will spend

July looking at the stallions we have and the prospects that are out there and start formulating the business model for the next year. We'll start looking at who needs to stay, who needs to go, who needs to be improved, and what acquisitions or movements can be the best for New York breeders. We think the market is going to get much, much better, so we're aggressively looking for good prospects.”

Ludt's sentiments about the New York Thoroughbred scene have been echoed recently by some of the industry's key players, including representatives of Adena Springs, Taylor Made, WinStar Farm and Darley.

It has been a long time coming for New York and NYRA, which has been waiting to install VLTs at Aqueduct for 10 years. It all started back in 2001, when the state passed legislation to allow New York's seven harness tracks, as well as Finger Lakes and Aqueduct, to install VLTs as a means to boost the economy following the September 11



*Vinery New York stallion Purge*

terrorist attacks. The state's racetracks got right to work installing VLTs, and by 2006, every track in New York, including Finger Lakes, was enjoying the benefits of a casino – except the NYRA tracks.

This is because NYRA – a not-for-profit company hired by the state to run Aqueduct, Belmont Park and Saratoga – was stuck in a state-imposed process to select an operator for its casino. First it was MGM Mirage, which was chosen in 2004. After three years of negotiations, that agreement fell through in 2007. Next was Delaware

# The Dirt on Racinos



*The casino at Gulfstream Park*

In recent years, casinos have become an inevitable aspect of the American racing landscape. As racetracks battle with falling attendance and on-track handle, the addition of slot machines have become a major source of revenue, helping to fatten purses and increase field sizes for a better wagering product.

Aqueduct is just the most recent in a long line of racetracks to install multi-million dollar gaming facilities. Woodbine Racetrack near Toronto, Canada opened the doors of its gaming facility in 2000, and in recent years tracks in Pennsylvania, Louisiana, Florida, New York, Delaware, New Mexico, West Virginia, and Indiana have followed suit.

As Aqueduct prepares to open the doors of the Resorts World New York Casino, there is much that can be learned from looking at practices adopted by other racinos. According to racetrack executives across the continent, some of the most important aspects of a successful racino are harmony between the casino and the racing, and a marketing plan to maximize success.

Nick Eaves, the CEO of Woodbine Entertainment, says that having the casino and racing in the same building at Woodbine has helped integrate the two forms of wagering and allowed them to benefit from one another. "There are other tracks where they (casino and racing) really are separate and distinct, and I think slots businesses have performed well under that model," said Eaves. "But I think the difference here is that the visitor to the racetrack, even if they are coming to play the slots, knows they're coming to a racetrack. They're exposed to racing in many different ways. They enter through a shared entrance, they have to walk past the walking ring. Our core business of racing is featured prominently."

Eaves also noted that the slots revenue at Woodbine is essentially split between the casino and the racetracks, which helps the two sides work together.

"We wanted all visitors to be able to experience racing and slots, so we felt that the return back to horse racing should be the same as the slots so there's no tension in terms of a customer moving from one side of the business

North, who seemed set to proceed until the world economy crashed in 2008 and it was no longer able to build the casino. Then it was Aqueduct Entertainment Group, whose term lasted less than two months. The state dismissed AEG when two of its key partners dropped out of the company after allegations that AEG had made illegal contributions to lawmakers trusted with awarding the contract.

By that point, many breeders and owners in the state had been burned almost beyond repair. Groups who had purchased land and increased their bloodstock holdings early in the decade in anticipation of casino revenue were forced to downsize considerably in order to stay afloat. Some left the state completely. By 2010, the New York Thoroughbred industry was in a steady downward spiral.

"The breeding numbers completely spiked in 2003 and 2004 and 2005, right to where the number of mares bred here was the highest it's ever been," said Jeff Cannizzo, executive director of the New York Thoroughbred Breeders. "Why? Because the belief was that

**"We all are working to create added value for New York-breds in one shape or form with newfound revenue."**

— Jeff Cannizzo

this racino was going to happen any time now. And every year was any time now. Any time now.

"And, well, obviously it didn't happen."

Between 2005 and 2010, 100 New York Thoroughbred farms closed, slicing the mare population by 37%. In response, the stallion population dropped 57%. Naturally, the state's foal crop suffered in response, dropping steadily since 2004 to just 1,610 foals in 2010. This decline at the industry's source (the breeding farms) led to negative reverberations throughout the industry: a shortage of horses means fewer own-



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to the other," Eaves said.

While Eaves has noted some crossover of customers between racing and the casino, he admits it hasn't happened enough, despite Woodbine offering incentives such as a free bet and dining room access.

"We wish more (casino customers) cared, we wish more of them took us up on our offer to participate in racing as part of their visit," said Eaves.

"Some do, but from our standpoint not enough do."

Chris Riegler, the president and general manager of Finger Lakes, said he has a similar problem creating a crossover of patrons.

"I really worked hard at integrating the two components," Riegler said. "I don't think we appeal as much as we'd like to a broad section of the public. I have probably 1% of people come to the racetrack where I have 60% of them come to the casino."

Gulfstream Park experienced a rocky start when its racino opened in 2006. Unlike Woodbine, which experienced a revenue boom in its first year before levelling off, Gulfstream was plagued by technical and functional issues in its first year. According to Steve Calabro, Gulfstream Park's president and general manager who recently announced his resignation, one of Gulfstream's chief issues was the lack of a marketing plan for the racino.

"I guess casino marketing takes a little more, and there really was no casino marketing plan," said Calabro. "So we improved the slot machines and instituted a better marketing plan. Those were key components to the success of the last three-and-a-half years."

Riegler agreed to the importance of marketing. Finger Lakes is owned by Delaware North, which had a contract to run the Aqueduct casino before the economy crashed in 2008.

"Because we were part of Delaware North, we were able to rely on that company's experience," said Riegler. "We had a full-blown marketing plan from six months out. On opening day I had people lined up in the parking lot. We beat our projections every year. It really is about giving amenities, because in New York the machines (VLTs) are all the same. So it boils down to customer service, what's on your property, and your marketing."

Charles Hayward, the CEO of NYRA, says Genting New York, the company selected to operate the Resorts World New York Casino, has been working in harmony with Aqueduct. He expressed his confidence in the fact that Genting is a successful casino operator with casinos set up all around the world. While the Aqueduct racetrack and the casino will be in separate, adjacent buildings, Hayward said Genting is working to integrate the two.

"Their goal is to bring as many people out to the facility as possible," said Hayward. "At most casinos and slots parlors, they don't want you to know you're at a racetrack. Genting is going to have a lot of glass windows facing the races. They're going to have patios where people can go out and watch the races, and televisions inside the casino where you can watch the races." Genting will be in charge of marketing the casino, and it has not yet shared its plans with NYRA.

"They're very astute and very good marketing people," said Hayward. "Rest assured, they will have a marketing plan."

owners, smaller field sizes, and less incentive for bettors and lower handle. At the same time, racinos were sprouting up across the country, from Pennsylvania, to Florida, Indiana, Delaware, West Virginia, New Mexico and Louisiana, spicing up the programs in those states and drawing yet more horses out of New York. All things considered, the situation in New York by 2010 was pretty bleak.

Then along came Genting New York, a Malaysian-based company who would become the fourth and final casino operator for Aqueduct. Genting was awarded the project in August 2010, but industry participants held their collective breath. This had happened before. On Sept. 27, 2010, Genting officials presented the New York Lottery with a check for \$380 million, and many breathed a sigh of relief.

"Only at that point did it really seem that this was actually going to happen," said Hayward. "We're thrilled and relieved, and we think it's going to be a huge opportunity."

"The good thing about the VLT revenue is it will be automatic," said Joe McMahon, a prominent New York breeder and owner of McMahon of Saratoga Thoroughbreds, and member of the board of directors of the New York State Thoroughbred Breeding and Development Fund. "There's no downtime. It's not like it's going to take six months to get the money together. The day the machines open they're going to start generating revenue for the purse accounts."

Few argue that the potential VLT earnings are impressive. What is more impressive, however, is that some speculate these estimates may be low in comparison to what the VLTs will actually earn. The \$350 win-per-machine-per-day projection was based on comparisons to New York's other racinos, which are in less densely populated areas than the NYRA tracks and would presumably draw smaller crowds. Yonkers Raceway, about 25 miles north of Aqueduct, averages \$343 win per day on its VLTs, while many of the state's other harness tracks average just \$250-\$280 win per day.

"The casino and gaming industry has done studies in other comparable mar-



kets, like Yonkers, which is just north of New York City,” said Cannizzo. “They’ve been [operating a racino] for a handful of years, so they based some numbers off that. Well, the difference is, this [Aqueduct racino] is going to be the first casino that is within the five boroughs of New York City, which has a population of nineteen million people and which has public transportation and a subway system. It’s across the street from the JFK airport, the largest airport in the country. Additionally, you have a world-renowned casino corporation, which is spending significant dollars to ensure this venue is a complete success. Genting is entering the market in New York for the long haul. My point is, I think the projections are very conservative. People think that this could be anywhere between \$450 to \$500 per day [per machine].”

NYRA’s Hayward agreed.

“If you compare the harness tracks, where I think the average might be

closer to \$250 or \$280 [per machine], most of the harness tracks in the state are in much more rural areas,” added Hayward. “When we were talking to MGM, their view was it was going to be at least \$400 win per machine. And the biggest problem that we were going to have was the crowd control on weekends, where people were going to line up at each of the machines.”

Some also believe Genting, a successful gaming corporation, could have a direct hand in bringing in more money than expected.

“Genting is really going to be the driver of all the casino operations,” said Hayward. “And they’re very experienced. Not only do they have big casinos in Singapore and Malaysia, they also run all the casinos in London. So they’ve worked in very high-end urban areas. They’re very astute and very good marketing people.”

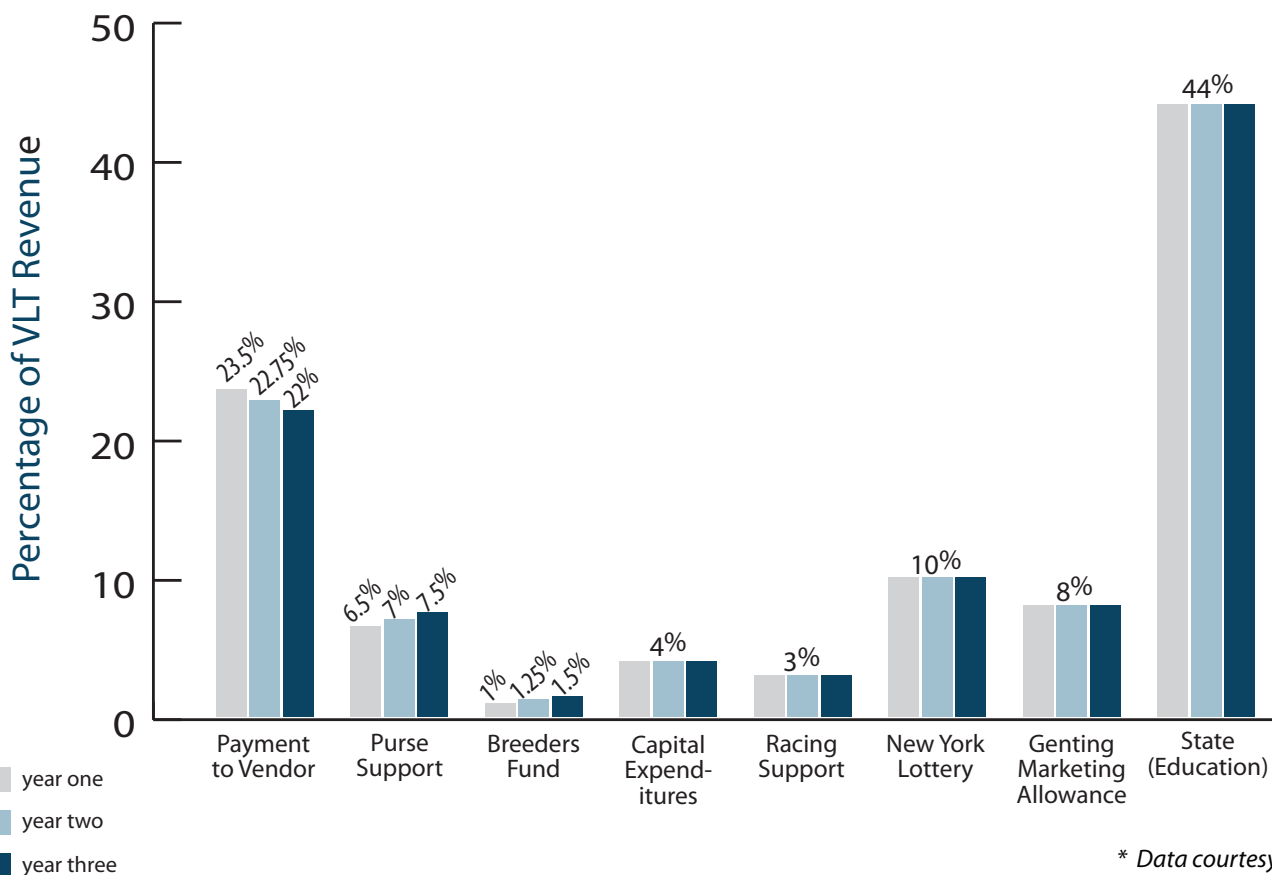
In a nutshell, there are rewards to be reaped from participating in all areas

of the ‘new’ New York Thoroughbred industry. There are benefits to be seen from the ground up, beginning with the breeders.

History shows that it is not only possible to breed a good horse in New York – it’s actually pretty common. The Empire State has spawned 37 individual GI winners since 1981, which have earned top prizes across the U.S. and abroad. Included among those elite winners are 2003 Kentucky Derby winner Funny Cide, dual Whitney victor Commentator, and Irish 2000 Guineas winner Fourstars Allstar. Last year proved lucrative for New York-breds stateside, with four individual GI winners carrying the New York banner, led by Jockey Club Gold Cup winner Haynesfield. Most recently, on the Belmont Stakes undercard, the 7-year-old New York-bred Mission Approved snatched the GI Manhattan.

Those who have chosen New York as a breeding ground have been reward-

## Aqueduct VLT Splits of Estimated \$574,875,000 Per Year in Revenue





*Funny Cide became the first New York-bred Kentucky Derby winner in 2003*

ed in the past by the New York State Thoroughbred Breeding and Development Fund incentive program ([www.nybreds.com](http://www.nybreds.com)). Often regarded as the best in the country, the program has three categories of awards: breeder awards, stallion owner awards and open-company owner awards. Historically, breeders have earned up to 20%

of the purse earned for a win if the horse is a registered New York-bred by a registered New York-based stallion, and 10% of the purse earned for a second- or third-place finish. The cut is 10% for a win purse by a non New York-sired New York-bred, with 5% of the purse earned for a second or third. The breeders' and stallion owner



*Dual Whitney H. victor Commentator is one of 37 New York-bred G1 winners*

awards are not restricted to the state-bred program; these categories apply to all races in New York where a New York-bred finishes first through third. Registered New York-based stallions can earn up to 7% of the purse earned in any race where their progeny finish first, second or third. Breeders' and stallion awards are capped at \$10,000 per award. In addition, New York-breds by New York registered sires can earn up to 20% of purses when competing in open races with a claiming price above \$30,000, and 10% for non New York-sired horses. These awards are capped at \$20,000 per horse.

In more simple terms, the fund paid out between \$10 million and \$12 million a year to breeders and owners from 2000 to 2008, and it reached a peak of over \$12.7 million in 2006.

"The incentive program is really well thought out and certainly it was the model for the rest of the country," said Dr. Bill Wilmot, a veterinarian, Breeding Fund Board of Director and breeder based in Saratoga. "Once Funny Cide won the [Kentucky] Derby, it actually jump-started Kentucky into having a breeders' program. Prior to that, it only had owners' awards. No one ever thought Kentucky would resort to a breeding incentive program."

However, for all the upside of breeding and owning New York-breds, there has been significant heartache in the past 10 years.

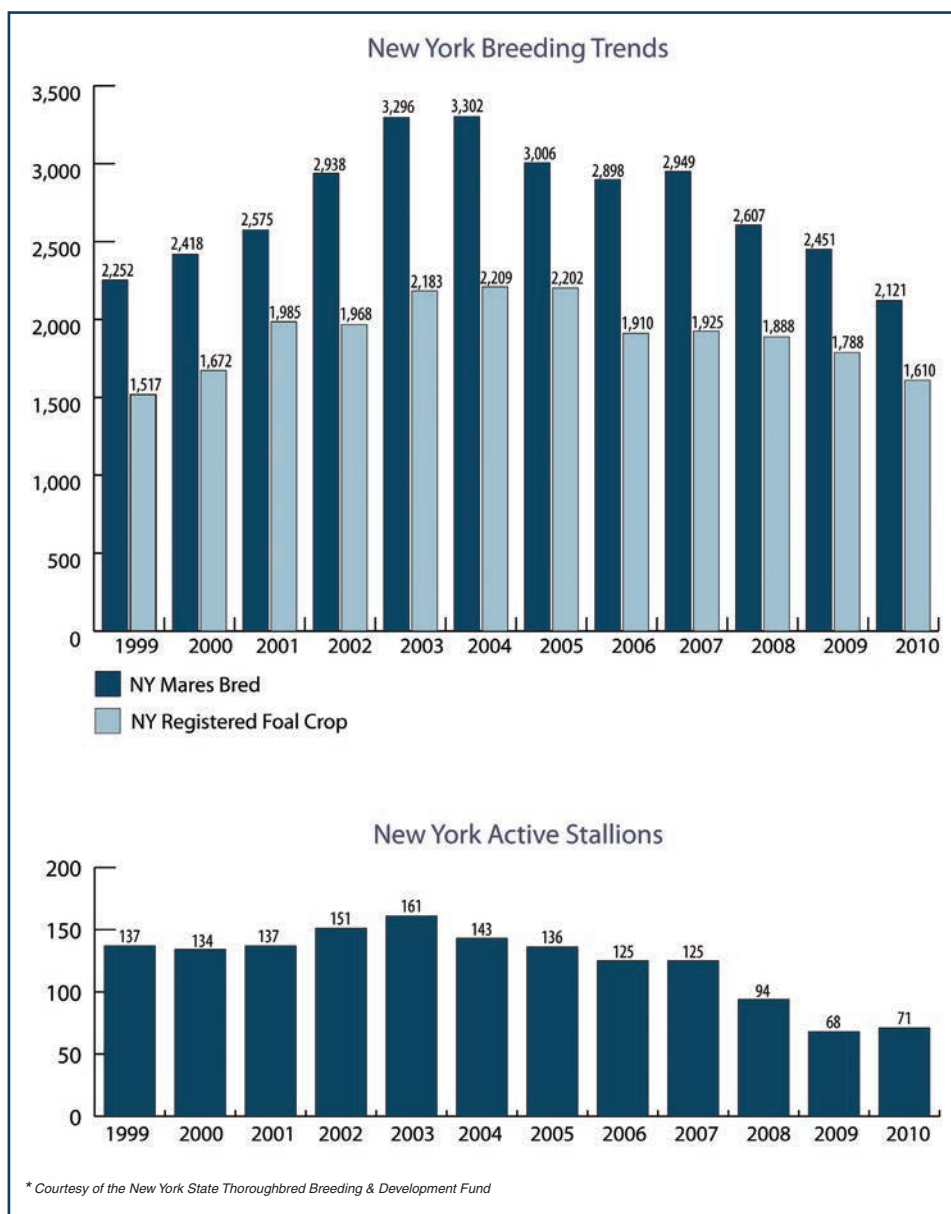
Shortly after the Aqueduct VLT plan was finalized and with the belief that the Aqueduct racino would be open before long, many breeders prepared for the increased racino revenue by expanding their broodmare bands and pouring money into stud fees to produce stock capable of reaping the VLT rewards. This caused a 10-year high of mares bred in 2003 (3,296) and, subsequently, a 10-year high foal crop (2,209) in 2004.

Since they were the first ones to take progressive action in the face of the VLT onslaught, the New York breeders as a group were arguably hurt the worst of anyone in New York when the racino took an additional six years to materialize.





Jockey Club Gold Cup winner Haynesfield was one of four New York-bred G1 winners in 2010



Wilmot, who keeps under a dozen mares at his Stepwise Farm in Saratoga, describes the breeder as “the canary in the coal mine,” which felt the effect of the delayed VLTs earlier than any other group.

“The breeders feel it first when there’s a bad thing that happens,” said Wilmot. “When you can’t sell your horse, and they say, ‘oh, well, breeders, there has been a correction in the market. Breeders should just take what they can get, get some cash flow, and go on to the next year.’ That’s fine if it’s not your money.

“So you have several factors. The yearling prices going down, breeders’ awards going down, down, down. You have to be somewhat of an optimist to be a breeder. It’s tough to make money at it, and certainly tough to make money at it consistently. And if your cash flow stops dramatically, it’s going to have an impact.”

One breeder who felt the sting of the

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– Bill Wilmot

dissolving cash flow caused by the VLT delay is Becky Thomas, a managing partner in Sequel Stallions. Based in Florida, Sequel Stallions opened its New York division in 2001 and was an active breeding farm and stallion station before it was forced to close its doors in 2009. The Sequel stock, which includes around 50 broodmares and four stallions, was moved to nearby Keane Stud under the banner of Sequel Stallions at Keane Stud.

“It was cheaper to outsource than it was to operate our own farm at this time,” explained Thomas. “It was a very concrete decision that we made that we had to fix costs that were associated with our own breeding and stallion operation.”

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Thomas said she hopes her farm will someday be operational again, but she is “guardedly optimistic.”

“We have been in the trenches for a long time,” said Thomas. “We’re not going to grow unless the economics show us that it’s the right move. It’s a wait-and-see kind of maneuver.”

During a time when breeders had hoped to draw some much-needed financial support from the breeding fund, that organization, like most other avenues of the Thoroughbred industry

in New York, began to experience its own financial problems. In 2005, the breeding fund went into a deficit largely as a result of increased simulcast wagering, since it only gets a cut only from on-track and in-state wagering. The deficit hit a peak in 2009 because of the fall of the New York City OTB, which filed for Chapter 9 bankruptcy protection in December 2009. The NYCOTB failed to pay almost \$3.5 million owed to the breeding fund between 2009 and 2010. On Dec. 7, 2010, the NY-

COTB closed its doors for good.

This would seemingly spell disaster for the breeding fund (and subsequently for the New York breeders), which relied on a small cut of the NYCOTB revenue as part of its payment structure. The breeding fund was driven by wagering percentages from the state’s (then) six off-track betting parlours, as well as handle from the NYRA tracks, Finger Lakes (and its VLTs), and a very minor slice from New York’s seven standardbred tracks. The NYCOTB,

## How is NYRA’s Racino Revenue Protected?

One of the foremost concerns for the racing industry when a casino is built at a racetrack is that the money designated for racing is protected, and not encroached upon by the state. This has been a concern in other jurisdictions operating racinos, and should be considered a legitimate threat for the NYRA tracks, which are state-owned.

In 2009, the Pennsylvania government cut the racing industry’s share of racino revenue by 17%, to be phased in over four years. Earlier this year, the racing industry in Indiana came dangerously close to having their split of racino revenue cut by 55% in a new state budget.

The NYRA racetracks operate differently from most other racetracks. Unlike New York’s other racetracks, which are privately owned, Aque-

duct, Belmont Park and Saratoga are owned by the state, which has hired NYRA to run them under a 25-year franchise (renewed in 2008). It was NYRA’s relationship with the state that caused significant holdup to the construction of the racino at Aqueduct.

In an interesting turn of events, however, NYRA now finds itself in a position 10 years later to be protected by the very process that caused such a painful delay of Aqueduct’s racino. After surviving a bankruptcy battle with the state and renewing their franchise in 2008, NYRA and the state ne-

gotiated a long list of contracts and agreements which has created layers of legislation that would make it very difficult for the government to interfere with racing’s VLT revenue at NYRA.

“The difference between New York and some of the other states is that in New York, because NYRA has a legal contractual agreement for 25 years to run racing, part of

that contract is the split that’s associated with what they’re going to receive from the VLT operation,” said Jeff Cannizzo, executive director of the New York Thoroughbred Breeders. “So there’s a legal binding agreement between the state and NYRA for how the money is going to be split.”

Charles Hayward, the CEO of NYRA, said that NYRA and the state spent a considerable amount

of time working out various contracts and agreements once NYRA’s franchise was renewed.

“In many jurisdictions, there’s a legislation that’s passed and there’s also legislation that can change legislation,” said Hayward. “In our case, when we got the new franchise, we spent from February to October 2008 doing a number of different agreements. So we have the benefit of contracts which generally don’t exist in other jurisdictions.”

NYRA’s long list of contracts encompasses its bankruptcy settlement, franchise agreement, and the Aqueduct VLT splits.



*Artist's rendering of Aqueduct after construction*

"We turned over the land at each of the racetracks to the state, and we negotiated individual leases for each of the tracks," said Hayward. "And then when we were in bankruptcy, we sued the state for interference with our business. And to get out of bankruptcy we had to sign a settlement agreement with them. And in that settlement agreement we have also the stipulation of the various terms, including the VLT splits. So we have a franchise agreement by legislation. We have a signed franchise contract with the state. And we have a signed settlement agreement with the state that is also a contract. The agreements mirror the legislation, but they're actually more detailed and more complex than the legislation. So we have certainly more protection than other jurisdictions where they only have legislation."

The New York Thoroughbred industry will be entitled to more than \$80 million in VLT revenue in the first year of operation. Based on an estimated win per machine per day figure of \$350, about \$37 million will go directly into the NYRA purse account; \$5.7 million is allocated to the breeders' fund; Almost \$23 million will go to NYRA for capital expenditures for facility improvements, and roughly \$17 million will go to NYRA for general racing operations.

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day I had people lined up in the parking lot. We beat our projections every year. It really is about giving amenities, because in New York the machines (VLTs) are all the same. So it boils down to customer service, what's on your property, and your marketing."

Charles Hayward, the CEO of NYRA, says Genting New York, the company selected to operate the Resorts World

New York Casino, has been working in harmony with Aqueduct. He expressed his confidence in the fact that Genting is a successful casino operator with casinos set up all around the world. While the Aqueduct racetrack and the casino will be in separate, adjacent buildings, Hayward said Genting is working to integrate the two.



*Artist's rendering of the new Aqueduct gaming area*

"Their goal is to bring as many people out to the facility as possible," said Hayward. "At most casinos and slots parlors, they don't want you to know you're at a racetrack. Genting is going to have a lot of glass windows facing the races. They're going to have patios where people can go out and watch the races, and televisions inside the casino where you can watch the races."

Genting will be in charge of marketing the casino, and it has not yet shared its plans with NYRA.

"They're very astute and very good marketing people," said Hayward. "Rest assured, they will have a marketing plan."

the highest producer of handle in the state, was the greatest contributor to the fund, paying about 40% of the fund's award money, almost double the amount of NYRA, and significantly more than the other tracks and OTB parlours.

"Due to financial disasters suffered by the fund in years past, awards had to be cut and reduced for second- and third-place finishers," said Cannizzo. "The goal, which is now in sight, is to have the fund flush with revenue and the awards program built back to its historical percentages for New York-

bred runners. Additionally, we all are working to create added value for New York-breds in one shape or form with newfound revenue."

NYRA opted to take advantage of the NYCOTB closure, throwing power into efforts to attract the NYCOTB's displaced customers, which spent over \$1 billion with the NYCOTB each year. These efforts proved fruitful for NYRA, as was demonstrated by figures from the 2010-2011 Aqueduct winter meet. Aqueduct experienced sharp increases in both attendance (up 48%) and on-track handle (up 74.6%) from the same

meet the previous year, and NYRA's telephone and internet wagering platforms took a massive jump, increasing 95% and 147%, respectively. Therefore, the closure of the NYCOTB was very beneficial to NYRA and to the breeding fund, which now benefits more from its 0.007% cut from NYRA than it did from its 0.005% cut from the NYCOTB.

"New York City OTB closed last Dec. 7 and, since that time, we've opened up over 9,000 new accounts," said Hayward. "Many of them were former phone or internet wagering customers of New York City OTB."



At the time of printing, NYRA officials declined to comment on how exactly the \$37 million in increased purses would be split between overnight and stakes races at Aqueduct, Belmont and Saratoga, as this information will not be discussed and finalized until a December board meeting.

Cannizzo pointed out that New York-bred racing is a vital component of making NYRA financially able to conduct the meets and race days mandated. One-third or 30% of all NYRA racing is restricted to New York-breds. "New York racing handle and weekly cards are fuelled by New York-bred racing," said Cannizzo. "The average New York-bred race consists of two to three more starters than its comparative open-company race. With each additional entrant, on average \$140,000 to \$160,000 more is wagered.

Therefore, field size is driven by New York-breds, and is permitting much of the purse structure that exists today in New York."

Additionally, NYRA's 25-year franchise with the state of New York requires them to card 600 New York-bred restricted races per year.

"Our breeding fund has always been the best because it's based on racing," said Cannizzo. "Even if the fund was worth significantly less, it could arguably still be the best because the program that NYRA puts together for New York-breds to race, both in conditions and in a stakes schedule, is like no other state has. New York-breds have 40-plus stakes worth over \$4 million annually, and a total combined purse program of \$36 million. So there's a whole other outlet for making money just because you have a New York-



Courtesy Jeff Cannizzo

Becky Thomas and Jeff Cannizzo

bred, known as racing opportunity. That's what separates this program from any other."

"Another positive sign is that we're seeing NYRA move to raise the minimum purse for 2-year-olds to \$60,000 this year," said Joe McMahon. "That's very significant, because the VLTs aren't even online yet. And the other purses have not taken a hit at all this year. They've been steadily improving with the money that's been recaptured from (NYCOTB).

"I'm very, very optimistic," added McMahon. "We've invested very heavily in nice mares in the last five years.

**"There's a whole other outlet for making money just because you have a New York-bred. That's what separates this program from any other."**

– Jeff Cannizzo

We have the largest number of mares that we've ever had in our 40-year history that we own ourselves. So we're very bullish about the future. We think it's just around the corner and it's going to be bigger than anyone can imagine."

Suzie O'Cain of nearby Highcliff Farm had similar sentiments. "For the first time in a long time, I feel giddy with excitement," said O'Cain. "At this

	NEW YORK-BRED	NEW YORK-BRED AND SIRE
BREEDER	Additional 10% of purse earned for win; 5% for second and third. \$10,000 cap per award.	Additional 20% of purse earned for win; 10% for second and third. \$10,000 cap per award.
OWNER	10% of purse earned (first through third) in all open races in New York with a minimum claiming price of \$30,000. \$20,000 cap per horse	20% of purse earned (first through third) in all open races in New York with a minimum claiming price of \$30,000. \$20,000 cap per horse.
STALLION OWNER	N/A	7% of purses earned in any race in New York. \$10,000 cap per award.

#### WHAT DOES IT MEAN TO BE A NEW YORK-BRED?

To be a New York-bred, the foal must be born in New York, and the mare must fall under one of the following two categories:

**Resident Mares:** The mare must be in New York within 90 days after conception of the foal, and must remain in the state until after the foal is born the following year, with no breed-back requirements.

**Non-Resident Mares:** Must foal in New York and remain there for 90 days after foaling. Must be bred back to a registered New York stallion.

#### WHAT DOES IT MEAN TO BE A NEW YORK REGISTERED STALLION?

The stallion must be registered with the New York State-bred registry and must meet one of the following requirements:

The stallion must be owned by a resident of New York and stand the entire season in New York, or it may be owned by someone outside the state, but must be leased by a New York resident for a term no less than two years, and stand the entire season in the state.

Information courtesy of the New York State Thoroughbred Breeding & Development Fund  
For more information contact the NYSTBDF at 518-580-0100

point in our industry, I couldn't think of a place I'd rather be."

It is this idea that has caused an onslaught of the country's top breeders from Kentucky to make moves, or at least consider moving, into New York. Frank Stronach's Adena Springs was eager to take advantage of perceived improvements in the New York industry, moving five stallions to stand at McMahon of Saratoga Thoroughbreds for the 2011 season.

"The year before last, we were given the task from Mr. Stronach to investigate other options for the stallions," said Eric Hamelback, the general manager of Adena Springs. "In our investigations we did as a farm, New York was really a shining spot. They seem to be on the cusp of what Louisiana achieved through the gaming expansion, and rebuilding their breeding program."

Similarly, Duncan Taylor from Taylor Made Farm in Kentucky noted that his farm would consider sending "the right horse" to stand in New York in the near future.

"Next year might be the year," said

Taylor. "We looked at it this year and didn't do it. I think that the population of mares in New York is not that great of a population yet, but it will grow over time. I think it's going to be a slow erosion over time of stallions leaving other places to go to New York. I don't think it's going to happen overnight. I think New York is one of the only places where purses are going up."

Elliott Walden, the president, CEO and racing manager of WinStar Farm, said the farm is interested in sending horses to New York, and future land purchases are not out of the question.

"We are very interested in the program. We did not send any mares up this year, but we might send some up next year. I think at this point we're just interested in boarding, but you never know," said Walden.

In terms of stallions, Walden hinted at some interest from WinStar in the New York market.

"We don't have anything definite, but we're interested in continuing to monitor the situation up there and expand up there if it makes sense," he said.

Like Vinery, Darley has a signifi-

cant global presence and is constantly searching for emerging markets in which to become involved. So the fact that Sheikh Mohammed's breeding operation would give a positive nod to New York speaks volumes. Darley already stands Justenuffhumor at Vinery New York, and has not ruled out sending more stallions in the future.

"We have a lot of stallions, and they don't all fit in Kentucky," explained Charlie Boden, the head of sales for Darley America. "We're also of the opinion that good stallions can come from anywhere. To own them and stand them remotely is an option because of the good purse structures and breeding incentives that New York provides."

"Justenuffhumor is a great-looking horse with a great pedigree, but just a notch below what we thought would work here in Kentucky. That leaves us a great option in New York. We hope that things continue on the path that they've taken of late, which is all positive. They're doing a great job. It's been a long road."

For Vinery, being in New York as a



*The crowded grandstand at Belmont Park*



Since 2008, NY Bred Sale Grads  
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**MISSION APPROVED** in 2011!

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breeder is a long-term, widespread commitment.

"We expect to be a big player in New York. This is an investment, not just for 2011, but for the much, much bigger future," said Ludt. "When you start seeing the New York purses hit the real increases in August, I think you're really going to see a huge difference in the New York market. It's great racing anyway. Our industry's in some challenging times right now, but I think you're going to see New York be a breath of fresh air."

Ludt explained that because Vinery commenced the leases on its two farms in late 2010, there was little time to move horses before the breeding season, so that affected Vinery's numbers in New York for 2011. However, plans call for more mares to be moved for 2012, with an eye to staying permanently in the New York market.

"I'm not big on moving horses right in the middle of what I call key times for them, but we got four mares up there before the season started, and we'll probably send more up there this summer," said Ludt. "We'll send mares up there that will be full time. A lot of people take advantage of moving them in and out. We won't do that. That's why we want to bring the stallion market up, so there are better choices for people, and they don't have to ship back to Kentucky or other states."

Ludt said that, although the VLTs are an attractive proposition, there were many reasons that moving to New York was a good business move.

"We just saw New York as a growing market," Ludt said. "[The VLTs] help, but that wasn't the only reason we did it. You don't have that benefit in Florida, but we're down there. The stars lined up. Like I said, we see [New York] as a great market. It's great racing and always has been, and they've had New York-bred racing for a long time. I think New York racing in general has always been considered one of the best markets in the country, and now, with



**"Our industry's in some challenging times right now but I think you're going to see New York be a breath of fresh air."**

— Tom Ludt

their restricted program with purses that are high, I think you're going to see the restricted racing program become much higher quality."

For the first time, in 2011, Vinery will be consigning yearlings at the Fasig-Tipton Saratoga New York Preferred Sale Aug. 13 and 14, and they will be looking to participate on the purchasing end as well.

"We have 30 signed up for the New York-bred sale," said Ludt. "We're going to make a big splash, and we're going to continue to improve upon that. We'll also start looking to buy more New York-breds."

The overall value of bloodstock and the health of the breeding industry are generally determined by public auction results. The North American average yearling price hit a 20-year high of \$57,107 in 2006, and has been in steady

decline ever since, plunging to an average price of \$39,982 in 2010. The number of horses sold has also dropped dramatically since 2006 as breeders faced the challenge of trying to recover their stud fees or, in some cases, simply break even.

The trends for New York-bred yearlings have mirrored those seen in the rest of the country. The average price for New York-bred yearlings began to rise in 2002 and peaked at \$38,116 in 2007. The following year the figure dropped to \$32,598, and in 2010, the average New York-bred yearling cost just \$25,861.

The national yearling market (including New York) seems to have stabilized in the past year, with a less dramatic decrease in average price than in previous years. The good news for

those selling New York-breds this year is that many who have attended this year's 2-year-old in training sales noted an increased interest from buyers in New York-breds.

"I haven't seen so many trainers at a sale in a very long time as there were at Timonium [Fasig-Tipton Midlantic 2-Year-Olds in Training Sale]," said McMahon. "They were very active, they bought a lot of horses."

Gary Contessa, a perennial leading trainer in New York, has increased his participation as both a buyer and breeder in 2011.

"Normally, I would buy 15, 18, 19, 2-year-olds, but in the last three sales I bought 29 2-year-olds," said Contessa. "I definitely see new people getting in the game. I definitely have new people buying young horses. I think there's a real buzz right now around the VLTs. I think it's going to make all the difference in the world. There's nothing but positive, in every aspect."

"I breed horses in the state of New York, and I'm going to breed more horses this year and next year. I'm also buying New York-breds. New York-breds are a great thing to have."

Contessa said his training business, as





*Historic Saratoga Racecourse will receive renovations as a result of VLT revenues*

well as those of many of his peers, has taken a “steep hit,” especially since the economic decline began in 2008. But he expects that trend to reverse with the VLTs.

“I’m very optimistic,” he said. “I’ve lived the last nine years in agony. In the last two years I went from 120 horses to 60, 65 horses. I really took a hit. But that was pretty much universal. Very few people prospered in the last two years. So I think the VLTs are going to be a real shot in the arm for the owners, the trainers, and the economy of the entire New York area.”

Linda Rice, another prominent New York-based trainer, also saw positive results from the Midlantic sale.

“I find that people are more enthusiastic about buying horses and getting involved in horse racing with the idea that New York will have the VLTs in the near future,” said Rice. “I find there’s much more enthusiasm towards purchasing young horses at auction. I’ve always had quite a bit of interest myself in the New York-bred program,

but I think this only adds more enthusiasm to racing as a whole in New York. I feel like we survived the worst of times here in New York. My feeling is that if you could withstand the last five years, the next five years are going to be a big turnaround. I’m really excited.”

**“I find that people are more enthusiastic about buying horses and getting involved in horse racing with the idea that New York will have the VLTs in the near future.”**

– Linda Rice

While the buzz surrounding New York-bred yearlings seems to be growing, there is still a certain amount of caution in the yearling market similar to what is being seen in the breeding industry.

“There’s no question New York-breds were sought after more than they would have been if we didn’t have casinos coming in the very near future, but I think people are just kind of dipping their toe in the water, they’re not going to jump in head first,” said Rick Violette, a New York trainer and president of the New York Thoroughbred Horsemen’s Association. “It goes back to the economy. There’s no question the racing economy is going to improve because of the purses, but when the general economy improves, accompanied by a significant upturn in purses, that’s when I think we’ll see things turn around quite a bit.”

Bill Wilmot points to a filly he sold at this year’s Keeneland April 2-Year-Olds in training sale as a microcosm for the cautious attitude of New York buyers. The filly, a New York-bred out of Naughty Natisha and by Empire Maker, is a half-sister to New York Horse of the Year Naughty New Yorker. She sold to Japanese interests for \$110,000. “No one in New York bought her,”



said Wilmot. "Isn't there a message there? The Japanese thought enough of her on her vet work and all that to pay for her, and Empire Maker is in Japan now. But no Americans did and no New Yorkers. So there's not a lot of confidence yet. You don't get over 10 years of mismanagement by the state of New York and other bad things that have happened outside the state, like the economic downturn and shrinking in the industry -- you don't get over those things just like that. That doesn't get fixed instantly."

Dan Pride, the executive vice president and chief operating officer of Fasig-Tipton, said there are reasons for buyers to be confident in New York-breds at this year's yearling sales. With the cut-off date approaching for entries for the Fasig-Tipton Saratoga New York Preferred Sale, it looks as if the number of New York-breds to be offered at the August sale will jump about 20% from last year.

"It's encouraging to see that the demand for yearlings to be in the Fasig-Tipton Saratoga New York Preferred Sale is bucking the trend of the recent decrease in the size of foal crops," said Pride. "Every indication is that the value of owning a New York-bred should

substantially increase in the near term." Barry Irwin, the CEO of Team Valor International, said he has not yet had an increased interest from buyers in New York, or buyers looking to race in New York, with the impending Aqueduct casino.

"I think once people see it, and if purses increase, then you'll see some action," said Irwin. "There's been so much talk about it for so long that people are sceptical and, until they see it, they're probably not going to really respond to it."

While some of the positive kickback from the VLTs will be almost immediate, such as purse increases and a greater contribution to the breeding fund, it is simply in the nature of the Thoroughbred industry that it may take a few years to feel the full effects of the VLTs. Breeders will need time to gain back some revenue before they can begin rebuilding, and the horse population in the state will need to grow in both quantity and quality to ensure full fields and a strong wagering product, as well as a thriving New York-bred bloodstock market.

In the meantime, NYRA has plans to start taking advantage of the VLT money as soon as possible. NYRA is



New York trainer Rick Violette

entitled to 4% of the VLT revenue for 'capital expenditures,' which involves maintaining and upgrading the three NYRA tracks. Although NYRA will have to wait until enough money is available to proceed with its plans, it has in the meantime hired a consulting company and two architectural firms to start drafting plans for racetrack improvements, both frontside and back-



Aqueduct, prior to renovation, was the host of the Breeders' Cup in 1985



side.

Turnberry Consulting, which is based in London, England, will be the overall planner for the racetrack improvement projects. Turnberry has already been on board with NYRA for two-and-a-half years, assisting the association in organizing priorities and assessing costs for its various projects.

"We didn't have a lot of money to spend, but we at least wanted to make sure that by the time the VLT monies were coming in, we would have plans and could start to move on things," explained Hayward.

The two architectural companies, Blackburn Partners and David Schwartz and Associates, were selected by Turnberry through an RFP process. Blackburn Partners will be responsible for backside upgrades at Belmont and Saratoga, while David Schwartz will handle frontside improvements at the two tracks.

"John Blackburn [of Blackburn Partners] is probably the most pre-eminent architect for barns in the country," said Hayward. "So John's concentrating on developing a plan for the backstretch that will include three major compo-

nents. One would be new dormitories at both Saratoga and Belmont. Another would be reconstructing and building new barns at both Saratoga and Belmont. And, particularly at Saratoga, we'll be looking at the traffic flow to try and separate where the horses walk versus where the cars and bikes go.

"Schwartz is developing some alternatives and plans for the frontside [at Saratoga]," Hayward added. "There are a number of what I would call temporary hospitality sites at the rail just past the finish line. And then we have four other smaller what we call luxury suites, but that's using the term luxury pretty loosely. The board has to approve on this, but we're developing some specs for potentially a permanent structure that would replace all that." David Schwartz and Associates is a D.C.-based company that specializes in sports venues and historic buildings. In addition to Schwartz, NYRA and Turnberry have been working with the Saratoga Preservation Foundation and a local advisory board to ensure the historical integrity of the famous race-track is maintained.

"Any of the plans that we have re-

garding the existing structure, clubhouse and grandstand will really only be enhancements," Hayward explained. "We think it's very important to protect the special feeling that you have at Saratoga, but we also know that we have to make some significant improvements, both infrastructure wise and from a hospitality perspective."

Much of the Aqueduct renovation will be taken care of in the VLT installation process. Hayward said that they are working on developing plans that will be presented to the board in August, and more specific details regarding capital expenditure plans will be available following that meeting. He also noted that most of the renovations won't begin until after the 2012 Saratoga meet.

In addition to structural enhancements, NYRA also plans to invest money into its wagering platform, NYRA Rewards, which, with the closure of NYCOTB, is an area of great potential growth.

"Last year, we did about \$60 million in handle, and we think that in 2011 it's going to be over \$150 million in handle," Hayward said.



*Training at Aqueduct continues during the renovation*

# If **MONEY** talks what does this **TELL YOU?**

**"**We feel strongly about the improvements to New York's breeding program. It is the reason Mr. Stronach was confident in sending five good stallions to New York.**"**

- Eric Hamelback  
General Manager - Adena Springs

Increase of  
**\$15 MILLION**  
in total value\*

State-bred Purses and  
Owner/Breeder/Stallion Awards

Projected more than  
**\$61**  
MILLION  
New York

**\$47**  
MILLION  
Louisiana

**\$46**  
MILLION  
New York

**\$22**  
MILLION  
Pennsylvania

**\$14**  
MILLION  
Indiana



2009 REGIONAL BREEDING PROGRAMS

Data provided by The Jockey Club Information Systems, Inc. and various State-bred Funds.

\*estimated



As New York's OTBs continue to suffer (Suffolk OTB on Long Island filed for bankruptcy protection in March), the idea has come to light that NYRA may be able to open OTBs of their own. The current OTB business model, which was developed in the 1970s, is detrimental to the racing industry, as the racetracks and OTB centers have opposing business models. The OTBs are required to pay only a meager percentage of their earnings into the racing community and breeding fund. It is possible (at long odds, however) that a

times as much money and purses get 2 ½ times as much money as we used to get from the NYCOTB bet. So the margin of profitability, if we can go in the city, will increase the amount going to racing substantially."

Other short-term plans for NYRA include indulging in new media, and increasing marketing and customer service efforts, all with an eye to bringing more patrons to the racetracks in an effort to increase handle. Long term, Hayward says, he would like to see takeout reduced.



*Aqueduct grandstand construction*

NYRA statute could change that.

"Right now, NYRA has under some statutes that were done in the '90s the possibility to open what they called at the time teletheatres, which were really restaurants with betting capabilities through television terminals," Hayward explained. "That would need the approval of the State Racing and Wagering Board and the Mayor and city council. We've got this Aqueduct project going on, so we've kind of put that on the back burner, but we're hoping perhaps sometime in the fall or early next year we can address that."

"If you make a bet at NYRA Rewards, or if you bet on track, NYRA gets four

"I think, long-term, we have to reduce our takeout," Hayward said. "Our take-out blends to about 20% right now. We have tried to mitigate that somehow through NYRA rewards. We have the best cash rewards of at least any domestic account wagerers. But we're looking very hard at takeout, and that's something our chairman [Steven Duncker] has gone on record about. I feel strongly that NYRA will be doing something about takeout in the future. How near in the future really depends on our board. But it's something that I think is very important to the industry to look at and look at hard."

With the closure of NYCOTB and the

impending VLTs at Aqueduct, NYRA has come a long way from the company it was last decade, when it was plagued by the flawed operator selection process and near bankruptcy. While NYRA is still fighting its way back to the top, Hayward cites nothing but optimism for the future.

"At this point, my perspective is we put all that in the rear view mirror and we really focus on the positive," said Hayward. "We're moving forward, and we're extremely optimistic about the future for racing in New York."

New York racing received another boost recently when New York Governor Andrew Cuomo appointed Bennett Liebman to the newly created position of deputy secretary for gaming and racing. Prior to joining the Cuomo administration, Liebman was a commissioner on the New York Racing and Wagering Board, and was the executive director of the Government Law Center at the University of Albany, where he developed a racing and gaming law program.

The Resorts World New York Casino likely will start with an advantage over comparable racinos strictly because of geography. It will be in one of the most densely populated and visited cities in the world, and will have many avenues of transportation (including subways and airport shuttles) connected to it. It will also have the benefit of a highly successful and experienced casino operator at the controls.

"They have been great people to work with," Hayward said of Genting. "And, don't forget, Genting made a \$380-million investment to secure the rights to do this. They realize how important it is to be in the New York market."

Nearby standardbred track Yonkers Raceway in early June announced plans for a \$40-million expansion of their racino, citing competition from the Resorts World New York Casino as a concern. The expansion plans came on the heels of an announcement that the Interior Department is considering overturning a rule that restricts Indian tribes from building casinos strictly within commuting distance from their

reservations. This reversal would make it possible for Indian tribes to build full-fledged, Vegas-style casinos anywhere in the state, which could pose a direct threat to both Yonkers and Aqueduct. However, even if the rule is overturned, the Indian casinos would still need to be approved on a case-by-case basis, have community support, and the land purchased to build them on would need to be deeded to the Department of the Interior.

One of the greatest concerns surrounding racinos always has to be that they will overshadow racing. Hayward, however, assures that the Resorts World New York Casino will work harmoniously with racing. Plans call for the racino to have glass windows facing the race-tracks, patios where patrons can go outside to watch the races, and television screens inside the racino showing the races.

Handel pointed out that the Resorts World New York Casino will be different from most other casinos because the casino and racing will only be operating on the same property for six months of the year, but all three racetracks will get to experience the benefits year round.

"If you take the classic racino model around North America, it tends to be racing and casino operation joined at the hip 12 months of the year," said Handel. "But we're only at Aqueduct six months of the year. We then move on to Belmont and Saratoga, but we get to use those revenues at all three facilities."

Genting's commitment to the New York racing product was demonstrated earlier this year, when they added \$250,000 to the purse of Aqueduct's signature race, the GI Wood Memorial, making it a \$1 million race for the first time.

With the recent downturn of mares bred in New York, is it inevitable that

in the next three to four years, race-horse supply in New York will continue to decline. As part of their commitment to the New York-bred program, NYRA will (by franchise agreement with the state) run a minimum of 600 New York-bred restricted races for the duration of their franchise. According to the NYTB, based on declining trends and the number of mares bred in 2010, there will be 600 fewer New York-breds available for racing as 3-year-olds of 2014 than there were in 2008. In 2010, 330 fewer mares were bred than



*Toby's Corner won this year's edition of the Wood Memorial*

in 2009, which means a projected foal crop of just 1400 New York-breds in 2011.

How will NYRA ensure that these New York-bred races maintain full, competitive fields that result in an attractive wagering product?

"I have to think they'd be concerned about that," said Ludt. "I think that's one of the reasons you're seeing the promotion and statements and publicity they're giving just to rebound,

because it will take a couple of years. I think you'll see everything bounce back. I'd be really surprised to not see the mares-bred report continually grow at a high percent over the next few years."

Cannizzo notes that NYRA, as with any racing jurisdiction, is carding races based on horse population on the backstretch, and that the shortage New York is seeing is based on both the national foal crop declines, in addition to New York-breds. The past few years, NYRA has been running 200 more restricted races than required, so he hopes that a cutback to 600 will allow these races to fill.

"They've been running for the last few years over 800 [New York-bred races] per year, so the levels should balance themselves out with the foal crop sizes as it fluctuates downward the next few years," said Cannizzo.

As the New York Thoroughbred industry continues to patch itself back together, cautious optimism reverberates through all facets of the state's industry. While there is great hope for the future with racing industry bolstered by VLT revenue, most say that a racetrack casino is not a permanent solution for New York.

"You hate to have your business depend on someone else's business to keep it alive," said New York-based trainer Bill Mott. "We're in the business of horse racing, and I certainly welcome the VLTs. I'm just not convinced that 20 years from

now, the VLTs that are going in this year are what's going to keep us going."

Chris Riegler, the president and general manager of Finger Lakes, said that track's casino merely supports its purse account without bringing more customers to the races.

"If you have a casino, you're propping up your purse structure, you're not propping up your customer base," said Riegler. "I think without it [racino],



you'd see probably half the tracks in the country would have closed by now. So I think it's a big, I hate to use the word prop-up, but it kind of is. If we can't make ourselves more saleable to the general public, I think it's a 10-, 15-year fix. That's what everyone knows, but few people will say it. I have probably 1% of people come to the racetrack where I have 60% of people who come to the casino."

Hayward says the Resorts World New York Casino is not a long-term solution, but it is a step in the right di-

rection for creating a healthy industry and providing funding for efforts for long-term solutions.

"If it's not a long-term fix, it's going to help in the near term very dramatically, let's say over five or 10 years," said Hayward. "It's going to help ensure that we can stand on our own. It's certainly the middle-term solution, which helps create the long-term solution. If we can improve our technology, improve the fan experience, get more people to come to the track, get more people to wager over the internet, at-

tract more people to the sport because it's a cool and hip thing to do, then I think the business will take care of itself."

Cannizzo said the key for long-term viability is how the New York industry reinvests this short-term revenue bump. "We all know VLTs are a component of gaming; it's important to note this is not pari-mutuel gaming," he said. "If we can utilize this cash infusion to cultivate new pari-mutuel customers via marketing and true promotional strategies, we will all be better off in the long run. Horse racing is based on horse players; our reinvention will not be based on casino gaming enthusiasts."

The 10-year battle is over. VLTs are about to light up at Aqueduct racetrack, and illuminate a new, healthier era of the Thoroughbred industry in New York. There are still many question marks on the road ahead, and many are still proceeding with caution, but it is inevitable that in the coming years, New York will experience a boom unprecedented by its neighboring racing jurisdictions. While the whole of the North American industry struggles to find its step in the wake of a crippling economic downturn, many horsemen are seeking refuge (and finding it) in New York. An early air of excitement could already be felt at the recent Belmont Stakes, where a crowd of more than 55,000 turned out in the rain to soak up New York racing at its finest.

"I was at the Belmont and I saw a whole new energy, and I think everyone's excited," said Ludt. "I think to see a crowd like that on a challenging weather day, that shows there's excitement back in the game. [NYRA and the New York horsemen] have had to go through a lot of tough obstacles and I think you're going to see the payoff of them being persistent and making the changes they needed to to get where they are. I think the management is doing a really good job of trying to improve their game, which ultimately feeds our whole industry. I think the increases are going to be exponential for years to come."

## How will the VLTs at Aqueduct affect other regions?

### KENTUCKY .....

"A healthy breeding industry depends on healthy racing venues across the country. I am excited about the prospects in New York and equally encouraged about the potential that it has for the sport and the entire Thoroughbred breed."

– Nick Nicholson, president and CEO, Keeneland

"It certainly is going to be a strong program from a monetary standpoint, however, we still believe that we have the best breeders' incentive program because our program is not restricted to where you race. I think Kentucky-bred horses will continue to be in demand to race anywhere in the world."

– David Switzer, executive director, KTOB

### PENNSYLVANIA .....

"New York is going to benefit from slots revenue, and I expect the breeders in Pennsylvania are very well aware of the competition. Having said that, Pennsylvania can hold its own. We have known that slots would eventually come to New York and it is my view that Pennsylvania has a program that can compete with any state."

– Jeb Hannum, executive secretary, Pennsylvania Horse Breeders' Association

### MARYLAND .....

"I don't know that it's going to make any significant difference from what has already taken place, and that is that you've got racing that's being supported by gaming in all of our surrounding states which has impacted our program here. New York is already a top program, their purses are already significantly higher than Maryland's."

– Alan Foreman, general counsel, Maryland Thoroughbred Horsemen's Association