

February 6, 2008

Dear NYRA Employee:

In spite of our best efforts to negotiate a long-term agreement with the State, it now appears that a shutdown of racing may occur next Thursday. As you know, NYRA is currently operating under a short-term franchise extension that will expire on February 13, 2008. While we will continue to pursue every option to forestall this shutdown, all indications point to the fact that we will be shutting down, and so I felt it was fair and prudent to give you this notice.

When we filed for bankruptcy in November 2006, NYRA received a loan from the State that was intended to fund NYRA's operations through the franchise term of December 31, 2007. We continue to remain in bankruptcy despite approval of the Creditors' Committee of our Plan of Reorganization, because without a new franchise agreement NYRA cannot fund the Plan. In short, NYRA must have a long-term franchise agreement to continue racing.

Since we anticipate racing operations being suspended after Wednesday February 13<sup>th</sup>, it will be necessary to lay off many of our employees on February 14<sup>th</sup>. Notifications are being sent to the unions involved. If racing ceases, hopefully it will be for only a short period of time.

Everyone at NYRA will be affected. NYRA fears that many employees will be laid off, and most of those who are not will be placed on a reduced work schedule. You will be notified by your department if you are being placed on layoff or reduced work schedule, and of the effective date.

If it occurs, the layoff will affect a broad spectrum of NYRA employees: Mutuel Clerks, Assistant Starters, Whitecaps, Maintenance, Admissions Cashiers, Parking Attendants, Program Sellers, Jockey Valets, Vanning Drivers, Electricians, Carpenters, Plumbers, Cleaners, and Operating Engineers. A small number of maintenance employees, engineers and security personnel will remain to perform critical building and security services.

Likewise, if racing ceases, all other employees in the executive, administrative, racing and Mutuel offices will be placed on a four-day workweek with a corresponding 20% reduction in salary. Since many business operations must still be performed in the near-term, administrative employees associated with those functions will continue, albeit on this reduced work schedule. Key functions in the Racing and Mutuel departments will also be maintained in order to facilitate a quick resumption of racing operations once we

resolve the franchise issue. Depending upon the timing and progress of franchise developments, layoffs in all of these areas may become necessary.

NYRA's backstretch will continue to be open for training and stabling for one week after the shutdown of racing, and then for an additional week of stabling only. Training operations may be extended if the horsemen collectively make an arrangement to fund the direct cost of track maintenance, manure removal, etc. A small number of track maintenance employees will be kept on to support training operations for as long as they continue. Thereafter, we will have to close down backstretch operations, and vacate the stalls and dorms.

While we hope that a resolution of the franchise will ultimately be achieved, we have no way of knowing how long the shutdown and resulting layoffs will last. I will provide informational updates on **(718) 687-4840** as they occur.

Additional information on medical benefits, your COBRA rights, Unemployment Insurance, etc. may be found in the attached Q & As.

I am very aware of the disastrous effect this will have on NYRA employees and their families, as well as on the extended community of horsemen, backstretch workers and vendors who depend upon NYRA for their livelihood and who NYRA depends upon for our success. Please know that NYRA has done everything possible to avoid this situation, and if racing ceases, we will do everything in our power to recall our employees and resume racing as soon as possible.

Sincerely,

DRAFT Letter from Hayward to Employees 2/6/08