STATE SETTLEMENT AGREEMENT

SETTLEMENT AGREEMENT (the ***"Agreement"***), dated as of September 12, 2008, by and among The New York Racing Association Inc. (***"Old NYRA"***), as debtor and debtor in possession, The New York Racing Association, Inc. (***"New NYRA"***), a Type "C" not-for-profit corporation, The State of New York (the ***"State"***), The New York State Non-Profit Racing Association Oversight Board (the ***"Oversight Board"***), and The New York State Division of the Lottery (the ***"Lottery"***).

RECITALS

A. Unless otherwise defined herein, capitalized terms used but not otherwise defined herein shall have the meanings set forth in Article I below.

B. Old NYRA is a non-profit racing association incorporated in 1955 pursuant to Chapter 440 of the Laws of the State of New York (1926).

C. Pursuant to (1) the New York State Racing, Pari-Mutuel Wagering and Breeding Law, as amended (the "***Racing Law***"), and (2) that certain Stipulation Relating to, Among Other Things, the Operation of the Racetracks, dated December 31, 2007, as amended, from 1955 up to and including the date hereof, Old NYRA has operated the racing facilities known as Aqueduct Racetrack ("***Aqueduct***"), Belmont Park ("***Belmont***") and Saratoga Race Course ("***Saratoga***" and collectively with Aqueduct and Belmont, the "***Racetracks***").

D. At the Racetracks, Old NYRA currently conducts thoroughbred racing and pari-mutuel and simulcast wagering together with various activities related thereto, including, without limitation, live wagering and retail, food, beverage, trade expositions, and entertainment facilities.

E. The franchise to operate wagering at the Racetracks was originally granted to Old NYRA by the New York State Legislature in 1955 and was extended from time to time. The franchise expired on December 31, 2007. By stipulation, dated December 31, 2007, between Old NYRA, the State and the Oversight Board, as amended, Old NYRA has agreed to continue to conduct racing and pari-mutual wagering at the Racetracks, including, without limitation, providing and receiving simulcast signals and conducting racing and racing operations in a manner consistent with Old NYRA's operations prior to January 1, 2008, subject to all applicable laws and regulations, for the period from January 1, 2008 through and including the earlier to occur of (i) September 28, 2008 and (ii) the effectiveness of any new franchise awarded to operate the Racetracks.

F. Chapter 383 of the Laws of 2001 authorized video lottery terminal gaming ("***VLT Gaming***") to be conducted at Aqueduct.

G. On November 2, 2006 (the "***Petition Date***"), Old NYRA filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code, as amended (the "***Bankruptcy Code***"), with the United States Bankruptcy Court for the Southern District of New York (the "***Bankruptcy Court***"), Case No. 06-12618 (JMP) (the "***Chapter 11 Case***").

H. On December 12, 2006, Old NYRA filed a complaint (the "***Adversary Complaint***") and commenced litigation in the Bankruptcy Court (the "***Adversary Litigation***"), styled The New York Racing Association Inc. v. George E. Pataki, et al., Adv. Pro. No. 06-01957 (JMP), against George E. Pataki, as governor of the State, the Oversight Board, Carole E. Stone, as Chair of the Oversight Board, the Lottery, Robert J. McLaughlin, as Director of the Lottery, and Does 1 through 100 (collectively, the "***State Defendants***"), seeking, among other things, a declaratory judgment with respect to the present and future rights of Old NYRA with respect to the Racetrack Properties. By stipulation, dated January 19, 2007, the period in which the State Defendants are required to answer or otherwise respond to the Adversary Complaint has been extended to a date that is thirty (30) days after the Bankruptcy Court's entry of an order disposing of the State Motion to Dismiss, as defined below.

I. By motion, dated December 29, 2006, the State and the Oversight Board seek entry of an order dismissing the Chapter 11 Case, asserting, among other things, that Old NYRA is not eligible to be a debtor under the Bankruptcy Code and, therefore, that the Bankruptcy Court lacked jurisdiction over the Chapter 11 Case (the "***State Motion to Dismiss***"). Pursuant to agreement, consideration of the State Motion to Dismiss has been adjourned without a date.

J. By orders, dated December 19, 2006, January 9, 2007, February 22, 2007, and March 16, 2007 (collectively, the "***DIP Orders***"), the Bankruptcy Court approved an initial and supplemental postpetition financing facility (the "***DIP Facility***") between the State and Old NYRA pursuant to which, among other things, the State (1) extended loans to Old NYRA in the amount of Thirty One Million Dollars ($31,000,000.00) and (2) made a "dry appropriation" of Nine Million Dollars ($9,000,000.00) for the purpose of extending additional funds to Old NYRA (the "***Dry Appropriation***"). On March 31, 2008, the State funded the Dry Appropriation to Old NYRA (the "***Supplemental DIP Loan***").

K. By order, dated April 13, 2007, the Bankruptcy Court established a protocol for the setting of times and dates by which all proofs of claim against Old NYRA and its chapter 11 estate must be filed with the Bankruptcy Court (the "***Bar Date***"), including, without limitation, the establishment of 5:00 p.m. (Eastern Time) on June 4, 2007, as the Bar Date for claims against Old NYRA.

L. Prior to the Bar Date, the State, on behalf of itself and certain of its agencies, commissions or divisions, filed the following proofs of claim (collectively, the "***State Claims***"):

Claimant	Claim No.	Claim Amount
New York State Dept. of Labor	242	$442,727.96
The New York State Racing and Wagering Board	490	$199,918.37
New York State Division of the Lottery	491	$6,133,479.45

Claimant	Claim No.	Claim Amount
NYSUDC, d/b/a Empire State Development Corp.	492	$5,022,765.88
NYSUDC, d/b/a Empire State Development Corp.	621	$8,551,140.50
Oversight Board	622	$76,173,000.00
State of New York	623	$61,243,855.00
New York State Dept. of Environmental Conservation	638	$5,200.00
New York State Dept. of Labor	646	$300,817.92
New York State Dept. of Labor	654	$180,708.10

M. Prior to the Bar Date, the New York State Department of Taxation and Finance ("***Tax and Finance***") filed the following proofs of claim:

Claimant	Claim No.	Claim Amount
Tax and Finance	4	$1,327,267.75
Tax and Finance	229	$1,327,415.75
Tax and Finance	662	$1,403,837.11
Tax and Finance	665	$1,238,575.99
Tax and Finance	674	$1,403,837.11

N. By letter, dated May 1, 2007, Claim No. 229 was withdrawn by Tax and Finance, with prejudice. By letter, dated July 5, 2007, Claim No. 646 was withdrawn by the New York State Department of Labor, with prejudice. During the Chapter 11 Case, and in the ordinary course, Old NYRA paid all amounts asserted to be outstanding and as set forth in Claim 654.

O. Pursuant to an objection, dated November 6, 2007, Old NYRA objected to Claim No. 4 as being amended and superseded by Claim No. 662. By order, dated December 14, 2007, Claim No. 4 was expunged in its entirety. Claim Nos. 665 and 674 were filed as amending and superseding Claim Nos. 229 and 662, respectively. Upon review, the State has determined

that Claim No. 665, filed subsequent to Claim No. 674 and post-completion of audit, is the only amended and superseding claim (the "***Remaining Tax Claim***").

P. On September 4, 2007, the then Governor recommended that New NYRA be awarded a thirty (30) year franchise for the period, from January 1, 2008 up to and including December 31, 2037, to conduct pari-mutuel wagering at the Racetracks. Such recommendation was embodied in a non-binding memorandum of understanding ("***MOU***") relating to, among other things, the franchise, the State's alleged ownership of the Racetrack Properties, the development of a video lottery terminal facility at Aqueduct and the ongoing support and development of thoroughbred racing and breeding in New York State.

Q. After negotiation of the issues set forth in the MOU, on February 13, 2008, the New York State Senate (the "***Senate***") and the New York State Assembly (the "***Assembly***") passed legislation, S. 6950 and A. 9998, respectively, providing for, among other things, the granting of the franchise to New NYRA to continue racing and racing operations at the Racetracks for a period of not more than twenty-five (25) years ending no later than December 31, 2033 (the "***Legislation***"). On February 19, 2008, the then Governor enacted the Legislation into law as Chapter 18 of the Laws of 2008.

R. Section 206 of the Racing Law, as set forth in Section 14 of the Legislation, contemplates New NYRA shall perform its functions pursuant to the Franchise Agreement and such other agreements as may be necessary and appropriate.

S. On November 29, 2007, Old NYRA filed with the Bankruptcy Court its Third Amended Plan of Debtor Pursuant to Chapter 11 of the United States Bankruptcy Code (the "***Third Plan***"). The Third Plan incorporated the transactions contemplated by the MOU and provides for resolution of claims against Old NYRA's chapter 11 estate. By order, dated November 29, 2007, the Bankruptcy Court authorized the solicitation of acceptances.

T. On April 28, 2008, (1) the Bankruptcy Court conducted a hearing (the "Confirmation Hearing") to consider the Modified Third Amended Plan of Debtor Pursuant to Chapter 11 of the United States Bankruptcy Code, dated April 28, 2008 (the "***Modified Plan***"), in accordance with section 1129 of the Bankruptcy Code and (2) in connection therewith, Old NYRA presented testimony and other evidence regarding, among other things, (a) the compromise and settlement between Old NYRA and the State, including, without limitation, the granting of the Franchise to New NYRA, the levels of the Support Fee and the CAPEX Amount, each as set forth in the Legislation, that certain State Settlement Agreement, dated as of the date hereof, by and among Old NYRA, New NYRA, the State, the Oversight Board and the New York State Division of the Lottery (the "***Settlement Agreement***") and herein, the waiver of certain claims by the State and the payment of other consideration, including, without limitation, \$105 million, to Old NYRA by the State and (b) compliance with the provisions of section 1129 of the Bankruptcy Code, including, without limitation, the feasibility of the Plan and the viability of New NYRA's ongoing operations. By order, dated April 28, 2008 (the "***Approval Order***"), and based upon the evidence presented at the Confirmation Hearing, the Bankruptcy Court (1) confirmed the Modified Plan and (2) authorized the consummation of the transactions contemplated by the Modified Plan, including, without limitation, the execution and delivery of (i) this Agreement and (ii) the Settlement Agreement.

U. On June 24, 2008, the Senate and the Assembly passed legislation, S. 8709 and A. 11502, respectively, amending the Legislation to correct certain technical errors and clarify certain provisions of the Legislation, including, without limitation, the distribution mechanism associated with the VLT Revenues (the "***Chapter Amendment***"). On June 30, 2008, the Governor enacted the Chapter Amendment into law.

NOW, THEREFORE, IT IS HEREBY AGREED, by and among the undersigned, as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Recitals. The recitals set forth above are incorporated by reference and are explicitly made a part of this Agreement.

Section 1.2 Definitions. The following definitions shall apply to and constitute part of this Agreement and all schedules, exhibits and annexes hereto:

"***Allowed Claim***" shall have the meaning ascribed to it in the Modified Plan.

"***Ancillary Property***" shall mean the parcels of property described on Exhibit "A" hereto.

"***Aqueduct Facilities Ground Lease***" shall mean the agreement to be executed by New NYRA and the FOB, as agent for the State, relating to the lease of certain portions of the Racetrack Property located at Aqueduct, all improvements thereon and all physical assets appurtenant thereto, a copy of which is annexed hereto as Exhibit "B", as the same may be amended from time to time in accordance with its terms.

"***Aqueduct Land Ground Lease***" shall mean the agreement to be executed by New NYRA and the FOB, as agent for the State, relating to the lease of the Racetrack Property located at Aqueduct, a copy of which is annexed hereto as Exhibit "C", as the same may be amended from time to time in accordance with its terms.

"***Aqueduct Sublease***" shall mean the agreement to be executed by New NYRA and the VLT Operator relating to, among other things, the lease of certain portions of the Racetrack Property at Aqueduct, including certain facilities located in the clubhouse and grandstand at Aqueduct substantially in the form annexed hereto as Exhibit "D" as the same may be amended from time to time in accordance with its terms.

"***Ballfield Properties***" shall mean (a) Lots 62, 118, 119, 127, 133, 135, 136 and 138 of Block 11535, (b) Lots 73, 110 and 113 of Block 11536, (c) Lots 5, 9, 10, 12, 14 and 110 of Block 11551 and (d) Lot 204 of Block 11652 of the Tax Map of the County of Queens in the State of New York.

"***Belmont Ground Lease***" shall mean the agreement to be executed by New NYRA and the FOB, as agent for the State, relating to the lease and/or license of Racetrack Property, all improvements thereon and all physical assets appurtenant thereto located at

Belmont, a copy of which is annexed hereto as Exhibit "E", as the same may be amended from time to time in accordance with its terms.

"***Business Day***" shall mean any day of the week other than a Saturday, Sunday or other day on which banks in the State of New York are required or permitted to close.

"***Creditors' Committee***" shall mean the Official Committee of Unsecured Creditors appointed in the Old NYRA's chapter 11 case.

"***DEC Claim***" shall mean Claim No. 638, in the amount of $5,200.00, filed by the New York State Department of Environmental Conservation.

"***Effective Date***" shall mean the first (1st) Business Day after the date on which all conditions to effectiveness set forth in Section 6.2 hereof shall have been satisfied or waived, in writing, by each of the Parties.

"***FOB***" shall mean the franchise oversight board created pursuant to the Legislation.

"***Franchise***" shall mean the authority to conduct racing and pari-mutuel wagering thereon with respect to thoroughbred racing at the Racetracks, as provided for in Chapter 18 of the Laws of 2008.

"***Franchise Agreement***" shall mean the franchise agreement to be entered into between the State of New York, the FOB and New NYRA, substantially in the form annexed hereto as Exhibit "F", with respect to the granting of the Franchise for the period from the Effective Date up to and including the twenty-fifty (25th) anniversary thereof.

"***GAAP***" shall mean generally accepted accounting principles in the United States in effect from time to time.

"***Ground Leases***" shall mean the Aqueduct Land Ground Lease, the Aqueduct Facilities Ground Lease, the Belmont Ground Lease and the Saratoga Ground Lease.

"***Leases***" shall mean, collectively, the Aqueduct Land Ground Lease, the Aqueduct Facilities Ground Lease, the Aqueduct Sublease, the Belmont Ground Lease and the Saratoga Ground Lease.

"***Legislature***" shall mean, jointly, the Assembly and the Senate.

"***NYRA Parties***" shall mean, jointly, Old NYRA and New NYRA.

"***Person***" shall mean an individual, corporation, limited liability corporation, professional corporation, limited liability partnership, partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and any spouses, heirs, predecessors, successors, representatives or assignees of any of the foregoing.

"***Racetrack Properties***" shall mean all of the real property associated with the Racetracks and the operation thereof, including, without limitation, the land underlying each of the Racetracks, but expressly excluding the Ancillary Property and the Ballfield Properties.

"***Releasor***" shall mean each and any of the NYRA Releasors and the State Releasors.

"***Saratoga Ground Lease***" shall mean the agreement to be executed by New NYRA and the FOB, as agent of the State, relating to the lease of real property, all improvements thereon and all physical assets appurtenant thereto located at Saratoga, a copy of which is annexed hereto as Exhibit "G", as the same may be amended from time to time in accordance with its terms.

"***State Obligations***" shall mean the obligations of Old NYRA to revert or escheat funds to the State as a result of the non-tendering of pari-mutuel tickets relating to the period prior to the Effective Date.

"***State Parties***" shall mean, jointly, the State, the Oversight Board and the Lottery.

"***State Transactions***" shall mean any and all obligations, claims or transactions arising from or occurring during the period prior to the Effective Date, between Old NYRA, on the one hand, and any of the State, the Oversight Board, the Lottery and any of their respective officers, agents and employees, including all State agencies, on the other hand, including, without limitation, any of the transactions in connection with the State Claims (other than the Remaining Tax Claim and the DEC Claim), the State Obligations (including those State Obligations arising from or occurring during the period of April 28, 2008 up to and including the Effective Date), and the DIP Facility.

"***VLT***" shall mean a video lottery terminal.

"***VLT Operations***" shall mean the operation of video lottery terminal gaming and related operations within the confines of the VLT Premises.

"***VLT Operator***" shall mean the entity selected by the State as the operator with respect to the VLT Operations at Aqueduct, pursuant to a memorandum of understanding among the Governor, the Temporary President of the Senate and the Speaker of the Assembly, upon prior consultation with Old NYRA or New NYRA, as the case may be.

"***VLT Premises***" shall mean that portion of Aqueduct designated for VLT Operations and referred to in the Aqueduct Sublease and which shall include (i) the gaming floor, (ii) the back-of-the-house area, (iii) gaming and non-gaming amenities related thereto and (iv) associated facilities and other portions of Aqueduct agreed upon by the State, the VLT Operator and New NYRA as necessary for the successful operation of video lottery gaming.

"***VLT Revenues***" shall mean the amount of total revenue wagered on VLTs after payouts for prizes won in accordance with Section 1612(b) of the New York State Tax Law.

Section 1.3 Other Terms. Other terms may be defined elsewhere in this Agreement and, unless otherwise indicated, shall have such meaning throughout this Agreement. As used in this Agreement, any reference to any federal, state, local, or foreign law, including any applicable law, will be deemed also to refer to such law as amended and all rules and regulations promulgated thereunder, unless the context requires otherwise. The words "***include***", "***includes***", and "***including***" will be deemed to be followed by "***without limitation***". Pronouns in masculine, feminine, or neuter genders will be construed to include any other gender, and words in the singular form will be construed to include the plural and vice versa, unless the context otherwise requires. The words "***this Agreement***", "***herein***", "***hereof***", "***hereby***", "***hereunder***", and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited.

Section 1.4 Interpretation. The Parties have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties hereto and no presumption or burden of proof will arise favoring or disfavoring any party hereto because of the authorship of any provision of this Agreement.

ARTICLE II
SETTLEMENT TERMS

Section 2.1 Sale of Ancillary Property. Old NYRA shall use its reasonable best efforts to sell the Ancillary Property in one or more arms' length transaction(s) and the proceeds thereof shall be applied in the following order of priority: (i) first, to pay any amounts due, payable or outstanding in respect of the Allowed IRS Claim, as defined in the Plan, (ii) second, and without duplication of any amounts accounted for in clause (i) above, to reimburse Old NYRA or New NYRA, as the case may be, with respect to payments made on account of the Allowed IRS Claim prior to the sale of the Ancillary Property, in an amount necessary to satisfy the Allowed IRS Claim, together with all interest which may have accrued and been paid with respect to the Allowed IRS Claim, and (iii) upon the agreement of the State and Old NYRA, the balance, if any, shall be used to (1) fund the operating expenses of Old NYRA or New NYRA, as the case may be, or support the racing operations of Old NYRA or New NYRA, as the case may be, including, without limitation, New NYRA's pension plan obligations, and (2) repay the Supplemental DIP Loan at any time prior to the maturity thereof.

Section 2.2 The Franchise. On or prior to the Effective Date, the State of New York, the FOB and New NYRA shall enter into the Franchise Agreement with respect to the granting of the Franchise for the period from the Effective Date up to and including the twenty-fifth (25th) anniversary thereof (the "***Term***").

Section 2.3 Formation and Governance of New NYRA and NYRA

(a) Articles/Charter/By-Laws of New NYRA: On or prior to the Effective Date, (1) Old NYRA shall (i) file such documents with the State as are necessary to create New NYRA as a Type "C" New York State not-for-profit corporation, under the general supervision of the Office of the Attorney General, as authorized by the Legislation, and transfer such assets as are necessary, and consistent with the terms and provisions of the Legislation, the

Chapter Amendment, the Plan, the Franchise Agreement and herein, to New NYRA, and (ii) file with the Secretary of State articles of incorporation for New NYRA (the "***Articles***"), substantially in form annexed hereto as Exhibit "H", and (2) New NYRA shall adopt by-laws substantially in the form annexed hereto as Exhibit "I".

(b) Articles/Charter/By-Laws of Old NYRA: On the Effective Date, Old NYRA shall (1) file with the Secretary of State of the State of New York amended articles of incorporation, substantially in the form annexed hereto as Exhibit "J" and (2) adopt by-laws consistent with the transactions contemplated by the Plan, substantially in the form annexed hereto as Exhibit "K."

(c) Code of Conduct: On the Effective Date, New NYRA shall adopt, and during the Term be governed by, a Code of Conduct substantially in the form annexed hereto as Exhibit "L".

Section 2.4 Conveyance of Racetracks and Certain Other Property: On the Effective Date, or as soon thereafter as (a) the Articles have been accepted for filing by the Secretary of State of the State of New York and (b) the confirmation of such acceptance has been filed with the New York State Racing and Wagering Board and the FOB, Old NYRA shall irrevocably relinquish and convey all of Old NYRA's right, title and interest in, to and under the (i) Racetrack Properties, all improvements and all physical assets appurtenant thereto, including, without limitation, the land underlying the Racetracks, each as described on the deeds annexed hereto as Exhibits "M", "N" and "O" and as such deeds may be amended or corrected from and after the date hereof, (ii) works of art, including, without limitation, those works of art described on Exhibit "P" hereto, (iii) all rights to intellectual property, including, without limitation, trademarks, tradenames, copyrights and simulcasting rights (collectively, the "***Intellectual Property***"), and (iv) leasehold improvements and interests, now existing or hereafter created with respect to the foregoing ((i) through (iv) collectively, the "***Transferred Property***"), to the People of the State of New York in consideration for, among other things, the following: (a) the payment to Old NYRA of One Hundred Five Million Dollars ($105,000,000.00) for services and expenses required relating to payments for capital works or purposes, including, without limitation, payments for the purposes of acquisition of clear title to the Racetrack Properties, (b) the waiver of (i) the State Obligations, (ii) the repayment of any and all obligations arising from or relating to the DIP Orders and the DIP Facility, other than the Supplemental DIP Loan, and (iii) the State Claims (other than the Remaining Tax Claim and the DEC Claim), to the extent not otherwise withdrawn, and (c) the support payments and capital expenditure payments to be made by the State or the VLT Operator, as the case may be, to New NYRA over the Term of the Franchise, as set forth in the Racing Law and the State of New York Tax Law, each as modified by the Legislation and the Chapter Amendment.

Section 2.5 Assignment/Conveyance of Certain Other Property. On the Effective Date, or as soon thereafter as (a) the Articles have been accepted for filing by the Secretary of State of the State of New York and (b) the confirmation of such acceptance has been filed with the New York State Racing and Wagering Board and the FOB, (i) Old NYRA shall convey all of Old NYRA's right, title and interest in and to Intellectual Property now existing or hereafter created and relating to the operation of the Racetracks, and all rights or interests in such assets to the People of the State of New York; and (ii) New NYRA shall convey all of New

NYRA's right, title and interest in and to Intellectual Property that is derivative of any Intellectual Property licensed to New NYRA pursuant to the License Agreement and all future simulcasting rights, and all rights or interests in such assets to the People of the State of New York; provided, however, that, on the Effective Date, the FOB, on behalf of the State of New York, shall enter into a License Agreement substantially in the form of Exhibit "Q" hereto, providing for the grant by the FOB to New NYRA of an exclusive license to use such Intellectual Property during the Term in connection with the operation of the Racetracks and the conduct of pari-mutuel and simulcast wagering, as more specifically set forth in the License Agreement, and expressly authorizing New NYRA's use, management and operation thereof, subject to the rights of the FOB pursuant to the Legislation, the Chapter Amendment and the License Agreement, at the rate of One Dollar ($1.00) per year.

Section 2.6 Lease of Real Property: On the Effective Date, New NYRA and the FOB, on behalf of the State of New York, shall enter into the Ground Leases, whose terms shall be co-terminus with the Term of the Franchise, as the same may be extended, terminated or revoked, providing for the lease of the Racetracks (it being agreed, however, that certain portions of the Racetrack Property located at Belmont and Aqueduct shall be licensed) and facilities thereon to New NYRA at the rate of One Dollar ($1.00) per year, all as more particularly described in the Leases. Notwithstanding the foregoing, pursuant to an escrow agreement, New NYRA shall execute and deliver into escrow the Aqueduct Sublease, as sublessee. As of the date that a VLT Operator is selected by the State and subject to binding and effective documentation in connection with the VLT Operations, which documentation shall include the execution and delivery of the Aqueduct Sublease by the VLT Operator, as sublessor, (1) all rights of New NYRA in, to and under the Aqueduct Facilities Ground Lease shall be assigned to the VLT Operator, (2) New NYRA shall be relieved from any and all obligations and liabilities under the Aqueduct Facilities Ground Lease thereafter arising, (3) the Aqueduct Facilities Ground Lease shall be amended and restated between and among the FOB, on behalf of the State of New York, as lessor, and the VLT Operator, as lessee, and (4) the Aqueduct Sublease shall be deemed released from escrow and become binding upon the parties thereto.

Section 2.7 Operational Support Payments: Old NYRA, New NYRA and the State agree that, in the event that VLT Operations are not scheduled to commence at Aqueduct on or prior to March 31, 2009, the State and New NYRA shall negotiate in good faith to provide New NYRA with payments necessary to support racing operations and satisfaction of New NYRA's operating expenses, including, without limitation, the payment of New NYRA's pension plan obligations, until the commencement of VLT Operations at Aqueduct. Upon the commencement of VLT Operations at Aqueduct, on a daily basis, and for the term of the license to operate VLTs at Aqueduct, an amount equal to three percent (3%) of total VLT Revenues derived from VLT Operations at Aqueduct shall be deposited by the VLT Operator, or distributed by the VLT Operator for the purpose of being deposited, into a New NYRA account to be used by New NYRA for the support of New NYRA's racing operations and satisfaction of New NYRA's operating expenses, including, without limitation, the payment of New NYRA's pension plan obligations (the "***Support Fee***"); provided, however, that, in the event that legislation is passed providing for the installation of VLTs and the commencement of VLT Operations at a location at which New NYRA operates racing and pari-mutuel wagering other than Aqueduct, prior to the installation thereof, the State and New NYRA shall negotiate in good faith to adjust the amount of the Support Fee for the benefit of New NYRA. The agreement to

pay, or cause the payment of, the Support Fee to New NYRA (upon which payment and levels of payment Old NYRA relied upon in connection with the proposal, confirmation and consummation of the Modified Plan) is not intended, nor shall it be construed, to limit the rights and authority of the Legislature to take such actions, including, without limitation, the passage of legislation during the term, as the Legislature deems appropriate, necessary and in the best interests of racing, racing operations, the racing industry or otherwise; provided, however, that, in the event that the Legislature passes legislation decreasing the percentage of VLT Revenues to be paid in accordance with this Section 2.7 and the terms and provisions of the Franchise Agreement, and such legislation is enacted into law, (1) the terms and provisions of this Section 2.7 shall be deemed modified, amended or supplemented, without action necessary by any Party hereto, solely to reflect such increased or decreased levels of consideration, (2) nothing contained herein or in any other agreement, instrument or document executed and delivered in connection herewith is intended, nor should it be construed, to limit or otherwise waive the rights, claims or causes of action of the NYRA Entities to recover from, among others, the State (but not the VLT Operator) the amounts of VLT Revenues to be paid to New NYRA in accordance with the provisions of Section 1612, Subdivision (f)(2) of the New York State Tax Law as in existence upon the enactment of the Legislation and (3) New NYRA shall have the right to commence an action against, among others, the State (but not the VLT Operator) for damages based upon the amount of such decreased levels of payments.

Section 2.8 Capital Expenditures: Old NYRA, New NYRA and the State agree that, in the event that VLT Operations are not scheduled to commence at Aqueduct on or prior to March 31, 2009, the State and New NYRA shall negotiate in good faith to provide New NYRA with payments necessary for capital expenditures in maintaining and upgrading the Racetracks. Upon commencement of VLT Operations at Aqueduct and thereafter for the term of the license to operate VLTs at Aqueduct, an amount equal to four percent (4%) (the "***CAPEX Amount***") of VLT Revenues shall be deposited by the VLT Operator, or distributed by the VLT Operator for the purpose of being deposited, into a New NYRA account designated by New NYRA (the "***CAPEX Account***") to be used by New NYRA for capital expenditures in maintaining and upgrading the Racetracks; provided, however, that, in the event that legislation is passed providing for the installation of VLTs and the commencement of VLT Operations at a location at which New NYRA operates racing and pari-mutuel wagering other than Aqueduct, prior to the installation thereof, the State and New NYRA shall negotiate in good faith to adjust the amount of the CAPEX Amount for the benefit of New NYRA; and, provided, further, that, New NYRA may use the funds in the CAPEX Account for the payment of (1) taxes associated with the receipt of the CAPEX Amount or deposit thereof in the CAPEX Account and (2) debt service associated with borrowings or other indebtedness incurred in connection with maintaining and upgrading the Racetracks. The agreement to pay, or cause the payment of, the CAPEX Amount to New NYRA (upon which payment and levels of payment Old NYRA relied upon in connection with the proposal, confirmation and consummation of the Modified Plan) is not intended, nor shall it be construed, to limit the rights and authority of the Legislature to take such actions, including, without limitation, the passage of legislation during the term, as the Legislature deems appropriate, necessary and in the best interests of racing, racing operations, the racing industry or otherwise; provided, however, that, in the event that the Legislature passes legislation decreasing the percentage of VLT Revenues to be paid in accordance with this Section 2.8 and the terms and provisions of the Franchise Agreement, and such legislation is enacted into law, (1) the terms and provisions of this Section 2.8 shall be deemed modified,

amended or supplemented, without action necessary by any Party hereto, solely to reflect such increased or decreased levels of consideration, (2) nothing contained herein or in any other agreement, instrument or document executed and delivered in connection herewith is intended, nor should it be construed, to limit or otherwise waive the rights, claims or causes of action of the NYRA Entities to recover from, among others, the State (but not the VLT Operator) the amounts of VLT Revenues to be paid to New NYRA in accordance with the provisions of Section 1612, Subdivision (f)(1) of the New York State Tax Law as in existence upon the enactment of the Legislation and (3) New NYRA shall have the right to commence an action against, among others, the State (but not the VLT Operator) for damages based upon the amount of such decreased levels of payments.

Section 2.9 Financing: Nothing contained herein shall limit New NYRA's ability to incur indebtedness, including, without limitation, the issuance of non-convertible securities in connection therewith, and grant liens on and security interests in New NYRA's assets and interests, including, without limitation, the revenue streams set forth herein; provided, however, that the incurrence of indebtedness or the granting of liens or security interests, other than those arising in the ordinary course of business, including, without limitation, materialmen's and mechanics' liens, shall require the prior approval of the FOB; and, provided, further, that, unless the prior approval of the FOB, or such other entity as may be required, is obtained, New NYRA shall not create any lien or security interest in any asset that is leased or licensed to New NYRA by the FOB or otherwise runs with the Franchise, the repayment with respect to which would extend beyond the Term.

Section 2.10 Real Estate Taxes. During the Term, and consistent with the provisions set forth in the Legislation, New NYRA shall not be taxable and shall have no obligation to pay real estate taxes or payments in lieu of real estate taxes associated with the ownership, lease or use of the Racetracks, any and all such obligations being the sole and exclusive obligation and responsibility of the State. Without in any way limiting the foregoing, on the Effective Date, the State shall pay to New NYRA an amount equal to real estate taxes paid by Old NYRA and attributable to the period from and after the Effective Date, calculated on a per diem basis.

Section 2.11 Withdrawal of State Claims. On the Effective Date, State Claims No. 622, 623, 654, 662 and 674 shall be deemed withdrawn, with prejudice, and Old NYRA or New NYRA, as the case may be, shall cause such State Claims to be removed from the claims registry in Old NYRA's Chapter 11 Case.

Section 2.12 Dismissal of Adversary Litigation. On the Effective Date, Old NYRA shall take any and all action as is necessary to cause the dismissal of the Adversary Proceeding, with prejudice, including, without limitation, filing a Notice of Dismissal substantially in the form annexed hereto as Exhibit "R".

Section 2.13 Withdrawal of State Motion to Dismiss. On the Effective Date, the State Motion to Dismiss shall be deemed withdrawn, with prejudice.

ARTICLE III
RELEASES

Section 3.1 Release of NYRA Parties. On the Effective Date, and without the need for the execution and delivery of additional documentation or the entry of any additional orders of the Bankruptcy Court, the State, on behalf of itself, the Oversight Board, the Lottery and each of their respective officers, agents and employees, and the successors and assigns of any of them and any other Person that claims or might claim through, on behalf of or for the benefit of any of the foregoing (collectively, the "***State Releasors***"), shall be deemed to have irrevocably and unconditionally, fully, finally, and forever waived, released, acquitted and discharged Old NYRA, Old NYRA's chapter 11 estate, the Reorganized Debtor, New NYRA, their past or present parents, subsidiaries, affiliates, directors, officers, employees, and the successors and assigns of any of them, (collectively, the "***NYRA Releasees***") from any and all claims, demands, rights, liabilities, or causes of action of any and every kind, character or nature whatsoever, in law or in equity, known or unknown, whether asserted or unasserted, which the State Releasors, or any of them, or anyone claiming through them, on their behalf or for their benefit have or may have or claim to have, now or in the future, against any NYRA Releasee that are based upon, relate to, or arise out of or in connection with the State Claims (other than the Remaining Tax Claim and the DEC Claim), the State Obligations or any claim, act, fact, transaction, occurrence, statement or omission in connection with the State Transactions, or alleged or that could have been alleged in the proofs of claim associated with the State Claims or other similar proceeding, including, without limitation, any such claim, demand, right, liability, or cause of action for indemnification, contribution, or any other basis in law or equity for damages, costs or fees incurred by the State Releasors arising directly or indirectly from or otherwise relating to the State Transactions (the "***NYRA Released Claims***"). Notwithstanding anything contained in this Section 3.1 or elsewhere to the contrary, the foregoing is not intended to release, nor shall it have the effect of releasing or exculpating, the NYRA Releasees from (a) the performance of their obligations in accordance with this Agreement, the Franchise Agreement, the Legislation, the Chapter Amendment, the Racing Law, all associated rules and regulations, and the Modified Plan, (b) fraud, willful misconduct or criminal conduct, (c) except as provided in the DIP Facility, the DIP Orders, the Modified Plan or the Approval Order, the Supplemental DIP Loan or (d) except as expressly provided herein with respect to State Claims (other than the Remaining Tax Claim and the DEC Claim) and State Obligations, their respective obligations to comply, or to have complied, with any non-monetary regulation, order, demand, direction or other instruction by any regulating authority.

Section 3.2 Release of the State Defendants. On the Effective Date, and without the need for the execution and delivery of additional documentation or the entry of any additional orders of the Bankruptcy Court, Old NYRA, Old NYRA's chapter 11 estate, the Reorganized Debtor, New NYRA, each of their subsidiaries and affiliates, officers, agents and employees and the successors and assigns of any of them and any other Person that claims or might claim through, on behalf of or for the benefit of any of the foregoing (collectively, the "***NYRA Releasors***"), shall be deemed to have irrevocably and unconditionally, fully, finally and forever waived, released, acquitted and discharged the State, the Oversight Board, the Lottery, the other State Defendants and each of their respective officers, agents and employees, and the successors and assigns of any of them (collectively, the "***State Releasees***"), from any and all claims, demands, rights, liabilities, or causes of action of any and every kind, character or nature

whatsoever, in law or in equity, known or unknown, whether asserted or unasserted, which the NYRA Releasors, or any of them, or anyone claiming through them, on their behalf or for their benefit, have or may have or claim to have, now or in the future, against any State Releasee that are based upon, relate to, or arise out of or in connection with the State Transactions, or any claim, act, fact, transaction, occurrence, statement or omission in connection with the State Transactions, or alleged in the Adversary Litigation or that could have been alleged in the Adversary Litigation or other similar proceeding, including, without limitation, any such claim, demand, right, liability, or cause of action for indemnification, contribution, or any other basis in law or equity for damages, costs or fees incurred by the NYRA Releasors arising directly or indirectly from or otherwise relating to the Adversary Litigation or other State Transactions. Notwithstanding anything contained in this Section 3.2 or elsewhere to the contrary, the foregoing is not intended to release, nor shall it have the effect of releasing or exculpating, the State or the State Releasees from (a) the performance of their obligations in accordance with this Agreement, the Franchise Agreement, the Legislation, the Chapter Amendment, the Racing Law, all associated rules and regulations, and the Modified Plan, (b) their respective obligations to comply, or to have complied, with any regulation, order, demand, direction or other institution by any regulating authority or (c) any claims or causes of action that Old NYRA or New NYRA, as the case may be, may have arising from or relating to a reduction or other adverse impact associated with the reduction in the amount of the CAPEX Amount or the Support Fee as set forth in the provisions of Section 1612, Subdivisions (f)(1) and (2) of the New York State Tax Law, respectively, as in existence upon the enactment of the Legislation.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

Section 4.1 Representations and Warranties of the State. The State hereby represents and warrants that: (a) it has full requisite power and authority to execute and deliver and to perform its obligations under this Agreement, and the execution, delivery and performance hereof, and the instruments and documents required to be executed by it in connection herewith (i) have been duly and validly authorized by it and (ii) are not in contravention of any agreements specifically applicable to it, including, without limitation, the Constitution of the State of New York, which constitutes the State's articles of organization, or any existing New York State law, court or administrative regulation, decree or order, to which the State is subject or by which it is bound; (b) no proceeding, litigation or adversary proceeding before any court, arbitrator or administrative or governmental body is pending against it which would adversely affect its ability to enter into this Agreement or to perform its obligations hereunder; and (c) it, or one of its affiliated State Parties, directly or indirectly, has the power and authority to bind each other State Entity to the terms of this Agreement or otherwise has been duly authorized by such other State Entity to execute and deliver this Agreement on its behalf.

Section 4.2 Representations of the State Parties as to Claims. Each of the State Parties hereby represents and warrants for itself, and on behalf of the other State Entities, that: (a) except with regard to the State Claims referenced in the Recitals hereof and the claims and obligations referenced in Section 5.3(c) hereof, none of the State Parties or the other State Entities holds any claims against the NYRA Parties, known or unknown, whether asserted or unasserted, and that any such claims or causes of action are included among the NYRA Released Claims, (b) as of the date hereof, it has not assigned, sold, participated, granted, conveyed, or

otherwise transferred, in whole or in part, the State Claims other than with respect to transfers by and between State Entities, and, as of the date hereof, it is not a party to any agreement to assign, sell, participate, grant, convey or otherwise transfer, and has not entered into any other agreement to assign, sell, participate, grant or otherwise transfer the State Claims and (c) as of the date hereof, are the sole beneficial owners of the State Claims.

Section 4.3 Representations and Warranties of Old NYRA. Old NYRA hereby represents and warrants that: (a) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with all requisite power and authority to carry on the business in which it is engaged, to own the properties it owns, to execute this Agreement and to consummate the transactions contemplated hereby; (b) it has full requisite power and authority to execute and deliver and to perform its obligations under this Agreement, and the execution, delivery and performance hereof, and the instruments and documents required to be executed by it in connection herewith (i) have been duly and validly authorized by it and (ii) are not in contravention of its organizational documents or any material agreement specifically applicable to it; (c) no proceeding, litigation or adversary proceeding before any court, arbitrator or administrative or governmental body is pending against it which would adversely affect its ability to enter into this Agreement or to perform its obligations hereunder; and (d) it, or one of its affiliated NYRA Parties, directly or indirectly, has the power and authority to bind Old NYRA and the Reorganized Debtor to the terms of this Agreement or otherwise has been duly authorized by Old NYRA and the Reorganized Debtor to execute and deliver this Agreement on its behalf.

Section 4.4 Representations and Warranties of New NYRA. New NYRA hereby represents and warrants that: (a) upon acceptance of the Articles by the Secretary of State of the State of New York, and confirmation of such acceptance being filed with the New York State Racing and Wagering Board and the FOB, it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with all requisite power and authority to carry on the business in which it is engaged, to own the properties it owns, to execute this Agreement and to consummate the transactions contemplated hereby; (b) upon acceptance of the Articles by the Secretary of State of the State of New York, and confirmation of such acceptance being filed with the New York State Racing and Wagering Board and the FOB, it has full requisite power and authority to execute and deliver and to perform its obligations under this Agreement, and the execution, delivery and performance hereof, and the instruments and documents required to be executed by it in connection herewith (i) have been duly and validly authorized by it and (ii) are not in contravention of its organizational documents or any material agreement specifically applicable to it; (c) no proceeding, litigation or adversary proceeding before any court, arbitrator or administrative or governmental body is pending against it which would adversely affect its ability to enter into this Agreement or to perform its obligations hereunder; and (d) it, or one of its affiliated NYRA Parties, directly or indirectly, has the power and authority to bind New NYRA to the terms of this Agreement or otherwise has been duly authorized to execute and deliver this Agreement on its behalf.

ARTICLE V
COVENANTS

Section 5.1 Covenants of the State Parties. Each of the State Parties, severally and not jointly, hereby covenants and agrees as follows:

(a) None of the State Parties shall sell, transfer, pledge, hypothecate or assign any of the State Claims or any voting rights or participations or other interests therein during the period from the date hereof up to and including the Effective Date.

(b) None of the State Parties shall (i) file any additional claims or proofs of claim, whatsoever, with the Bankruptcy Court against Old NYRA (including secured, unsecured, administrative, priority or substantial contribution claims); (ii) file any additional claims, commence or prosecute any pending or additional litigation, proceeding, action or matter or seek to recover damages or to seek any other type of relief against any of the NYRA Releasees based upon, arising from or relating to the NYRA Released Claims, or (iii) directly or indirectly aid any person in taking any action with respect to the NYRA Released Claims that is prohibited by this Section 5.1(b), except to the extent, if any, required by law. Notwithstanding the foregoing, in the event that any of the State Parties take any actions prohibited pursuant to clauses (i) and (ii) above, the parties hereto agree that the sole consequences of any such actions shall be that such actions are deemed void ab initio and the State Parties shall take such action as is necessary to remediate any effect as a result thereof.

(c) On the Effective Date, each of the State Parties shall provide the NYRA Entities with a certificate to the effect that each of the representations and warranties set forth in Sections 4.1 and 4.2 of this Agreement are true and correct as of the Effective Date.

Section 5.2 Covenants of Old NYRA. Old NYRA hereby covenants and agrees as follows:

(a) Neither Old NYRA nor the Reorganized Debtor shall: (i) file any additional claims, commence or prosecute any pending or additional litigation, proceeding, action, or matter or seek to recover damages or to seek equitable relief against any of the State Releasees arising from or relating to the claims to be released in accordance with Section 3.2 hereof, and (ii) directly or indirectly aid any Person in taking any act prohibited by clause (i) of this Section 5.2(a).

(b) On the Effective Date, Old NYRA shall provide the State with a certificate to the effect that each of the representations and warranties set forth in Section 4.3 of this Agreement are true and correct as of the Effective Date.

(c) From and after the Effective Date, Old NYRA shall provide the State with such corrective deeds, forms or instruments required by the applicable County Clerk for the recording of a deed (without further consideration) as may be necessary and appropriate to provide the State pursuant to Section 2.4 hereof with clear title to the Transferred Property and not the Ancillary Property, to the extent owned by Old NYRA as of the Effective Date.

(d) From the Effective Date up to and including a date that Old NYRA, in its sole and absolute discretion, shall determine, Old NYRA shall continue in existence and maintain its good standing as a corporation and otherwise as necessary to enable Old NYRA to provide the State with the corrective deeds referenced in Section 5.2(c) hereof; provided, however, that, without the consent of the State, Old NYRA shall not terminate its existence prior to December 15, 2008; and, provided, further, that, prior to the dissolution of Old NYRA, Old NYRA shall adopt a resolution designating and empowering two (2) or more persons who are serving as officers or trustees at the time of such adoption to act, individually and separately, on behalf of Old NYRA to do things as may be reasonably necessary to provide the State with corrective deeds, forms and instruments referenced in Section 5.2(c) hereof.

Section 5.3 Covenants of New NYRA. New NYRA hereby covenants and agrees as follows:

(a) New NYRA shall not: (i) file any additional claims, commence or prosecute any pending or additional litigation, proceeding, action, or matter or seek to recover damages or to seek equitable relief against any of the State Releasees arising from or relating to the claims to be released in accordance with Section 3.2 hereof, and (ii) directly or indirectly aid any Person in taking any act prohibited by clause (i) of this Section 5.3(a).

(b) On the Effective Date, New NYRA shall provide the State with a certificate to the effect that each of the representations and warranties set forth in Section 4.4 of this Agreement are true and correct as of the Effective Date.

(c) From and after the Effective Date, and solely to the extent not expressly delegated to Old NYRA pursuant to the Modified Plan or released herein, New NYRA shall assume the obligations of Old NYRA arising from the operation of the Racetracks or occurring during the period from April 28, 2008 up to and including the Effective Date; provided, however, that such assumption shall be limited to the satisfaction of the operational expenses generated during such period and remaining unsatisfied as of the Effective Date.

ARTICLE VI
EFFECTIVENESS AND TERMINATION OF AGREEMENT

Section 6.1 Closing. The consummation of the transactions contemplated hereby shall take place at a closing to be held at 10:00 am., New York time, on the Effective Date at the offices of Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153, or such other date or place as is mutually agreed upon in writing by the Parties hereto.

Section 6.2 Conditions to Effective Date. The effectiveness of the terms and provisions of this Agreement are expressly subject to the following conditions unless waived in writing by the Parties:

(a) the execution and delivery of this Agreement by each of the entities identified on the signature pages of this Agreement;

(b) the execution and delivery of such ancillary documentation as may be necessary or appropriate to consummate the transactions contemplated herein, including, without limitation, those documents annexed hereto as Exhibits;

(c) the effectiveness of the Approval Order and the consummation of the Modified Plan shall not be enjoined or otherwise stayed;

(d) as of the Effective Date, neither the Legislation nor the Chapter Amendment shall have been modified, amended or superseded by any action of the Legislature, and thereafter enacted into law by the Governor, which modification, amendment or superseding act would adversely impact the economics provided to New NYRA in accordance with the Legislation, including, without limitation, the provisions of Section 1612 , Subdivisions (f)(1) and (2) of the tax law relating to the four percent (4%) of VLT Revenues and three percent (3%) of VLT Revenues, respectively, to be paid to New NYRA and used by New NYRA for capital expenditures and the support of New NYRA's racing operations, including, without limitation, the payment of New NYRA's pension plan obligations;

(e) the entry by the Bankruptcy Court of an order in aid of consummation of the Modified Plan and approving the form and substance of this Agreement and the Franchise Agreement, in form and substance reasonably satisfactory to the State and the FOB; and

(f) the Effective Date of the Modified Plan shall have occurred or shall occur contemporaneously herewith.

ARTICLE VII
MISCELLANEOUS

Section 7.1 Amendments. This Agreement may not be modified, amended or supplemented except by a written agreement executed by each Party to be affected by such modification, amendment or supplement.

Section 7.2 No Admission of Liability. The execution of this Agreement is not intended to be, nor shall it be construed as, an admission or evidence in any pending or subsequent suit, action, proceeding or dispute of any liability, wrongdoing, or obligation whatsoever (including as to the merits of any claim or defense) by any Party to any other Party or any other Person with respect to any of the matters addressed in this Agreement. None of this Agreement, the settlement or any act performed or document executed pursuant to or in furtherance of this Agreement or the settlement: (i) is or may be deemed to be or may be used as an admission or evidence of the validity of any claim, or any allegation made in the Adversary Litigation or of any wrongdoing or liability of any State Defendant; (ii) is or may be deemed to be or may be used as an admission or evidence of any liability, fault or omission of any State Defendant in any civil, criminal or administrative proceeding in any court, administrative agency or other tribunal; or (iii) is or may be deemed to be or used as an admission or evidence against the Reorganized Debtor or Old NYRA with respect to the validity of any of the State Claims (other than the DEC Claim and the Remaining Tax Claim) or the State Obligations. None of this Agreement, the settlement, or any act performed or document executed pursuant to or in

furtherance of this Agreement or the settlement shall be admissible in any proceeding for any purposes, except to enforce the terms of this Agreement or the Franchise Agreement, and except that any State Defendant may file this Agreement in any action for any purpose, including, but not limited to, in order to support a defense or counterclaim based on the principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar or reduction or any other theory of claim preclusion or issue preclusion or similar defense of counterclaim.

Section 7.3 Good Faith Negotiations. The Parties further recognize and acknowledge that each of the Parties hereto is represented by counsel, and such Party received independent legal advice with respect to the advisability of entering into this Agreement. Each of the Parties acknowledges that the negotiations leading up to this Agreement were conducted regularly and at arm's length; this Agreement is made and executed by and of each Party's own free will; that each knows all of the relevant facts and his or its rights in connection therewith, and that he or it has not been improperly influenced or induced to make this settlement as a result of any act or action on the part of any party or employee, agent, attorney or representative of any party to this Agreement. The Parties further acknowledge that they entered into this Agreement because of their desire to avoid the further expense and inconvenience of litigation and other disputes, and to compromise permanently and settle the claims between Old NYRA and the State Defendants settled by the execution of this Agreement.

Section 7.4 Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended or shall be construed to confer upon, or to give to, any Person other than the Parties hereto, the Reorganized Debtor, the State Defendants, and their respective successors and assigns, any right, remedy or claim under or by reason of this Agreement or any covenant, condition or stipulation thereof; and the covenants, stipulations and agreements contained in this Agreement are and shall be for the sole and exclusive benefit of the Parties hereto, the other State Releasees and their respective successors and assigns.

Section 7.5 Governing Law; Retention of Jurisdiction; Service of Process. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to any principles of conflicts of law. Any legal action, suit or proceeding between Old NYRA or New NYRA, as the case may be, on the one hand, and any or all of the State Parties, on the other hand, with respect to any matter under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, shall be brought in any court of competent jurisdiction within the State of New York. The Parties hereby agree and consent that service of process therein may be made, and personal jurisdiction over any Party hereto in any such action, suit or proceeding may be obtained, by service of a copy of the summons, complaint and other pleadings required to commence such action, suit or proceeding upon the Party at the address of such Party set forth in Section 7.11 hereof, unless another address has been designated by such Party in a notice given to the other Parties in accordance with Section 7.11 hereof.

Section 7.6 Specific Performance. It is understood and agreed by the Parties that money damages may not be a sufficient remedy for any breach of this Agreement by any Party and each non-breaching Party may be entitled to specific performance and injunctive or other equitable relief as a remedy of any such breach.

Section 7.7 Headings. The headings of the sections, paragraphs and subsections of this Agreement are inserted for convenience only and are not part of this Agreement and do not in any way limit or modify the terms or provisions of this Agreement and shall not affect the interpretation hereof.

Section 7.8 Binding Agreement Successors and Assigns; Joint and Several Obligations. This Agreement shall be binding upon Old NYRA, New NYRA, and the State Parties only upon the execution and delivery of this Agreement by the Parties listed on the signature pages hereto. This Agreement is intended to bind and inure to the benefit of the State Parties, Old NYRA and New NYRA and their respective successors, assigns, administrators, constituents and representatives. The agreements, representations, covenants and obligations of Old NYRA, New NYRA and the State Parties under this Agreement are several only and not joint in any respect and none shall be responsible for the performance or breach of this Agreement by another.

Section 7.9 Entire Agreement. This Agreement, together with all documents and agreements entered into pursuant to this Agreement, including, but not limited to, the Approval Order, the Modified Plan, the Legislation, the Chapter Amendment and the Franchise Agreement, constitutes the full and entire agreement among the Parties with regard to the subject hereof and thereof, and supersedes all prior negotiations, representations, promises or warranties (oral or otherwise) made by any Party with respect to the subject matter hereof and thereof. No Party has entered into this Agreement in reliance on any other Party's prior representation, promise or warranty (oral or otherwise) except for those that may be expressly set forth in this Agreement.

Section 7.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original copy of this Agreement and all of which, when taken together, shall constitute one and the same Agreement. Copies of executed counterparts transmitted by telecopy or other electronic transmission service shall be considered original executed counterparts, provided receipt of copies of such counterparts is confirmed.

Section 7.11 Notices. All demands, notices, requests, consents, and other communications hereunder shall be in writing and shall be deemed to have been duly given (i), when personally delivered by courier service or messenger, (ii) upon actual receipt (as established by confirmation of receipt or otherwise) during normal business hours, otherwise on the first business day thereafter if transmitted by facsimile, electronic mail or telecopier with confirmation of receipt, or (iii) three (3) Business Days after being duly deposited in the mail, by certified or registered mail, postage prepaid-return receipt requested, to the following addresses, or such other addresses as may be furnished hereafter by notice in writing, to the following Parties:

If to NYRA, to:

The New York Racing Association Inc.
Aqueduct Racetrack
110-00 Rockaway Boulevard
South Ozone Park, New York 11417
Attention: General Counsel
Telecopy: (718) 835-2432

with a copy to:

WEIL, GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, New York 10153
Attention: Brian S. Rosen, Esq.
Telecopy: (212) 310-8007

If to the State, to:

Franchise Oversight Board
c/o Executive Chamber
The Capitol
Albany, NY 12224
Attention: Chairman
Telecopy: (518) 486-9652

with a copy to:

Empire State Development Corporation
633 Third Avenue
New York, NY 10017
Attention: President
Telecopy: (212) 803-3715

- and -

New York State Office of the Attorney General
Litigation Bureau (Bankruptcy Section)
The Capitol
Albany, New York 12224
Attention: Counsel
Telecopy: (518) 473-1572

PAUL, WEISS, RIFKIND, WHARTON & GARRISON LLP
1285 Avenue of the Americas
New York, New York 10019
Attention: Alan W. Kornberg, Esq.
Telecopy: (212) 757-3990

Section 7.12 Further Assurances. Each of the Parties hereto agrees to execute and deliver, or to cause to be executed and delivered, all such instruments, and to take all such action as the other Parties may reasonably request in order to effectuate the intent and purposes of, and to carry out the terms of, this Agreement.

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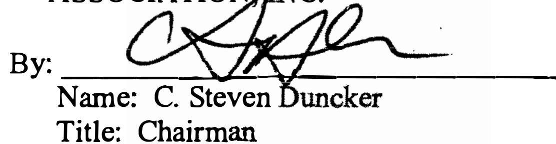
IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date set forth above.

THE NEW YORK RACING ASSOCIATION INC.

By: ____________________________
Name: C. Steven Duncker
Title: Chairman

THE NEW YORK RACING ASSOCIATION INC.

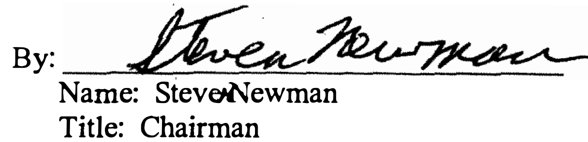


By: ____________________________
Name: C. Steven Duncker
Title: Chairman

THE STATE OF NEW YORK

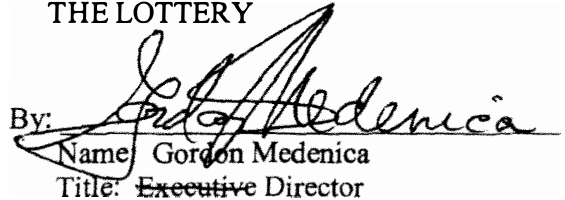
By: ____________________________
Name:
Title:

THE NEW YORK STATE NON-PROFIT RACING ASSOCIATION OVERSIGHT BOARD



By: ____________________________
Name: Steven Newman
Title: Chairman

NEW YORK STATE DIVISION OF THE LOTTERY



By: ____________________________
Name: Gordon Medenica
Title: ~~Executive~~ Director

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date set forth above.

THE NEW YORK RACING
ASSOCIATION INC.

By: ______________________________
Name: C. Steven Duncker
Title: Chairman

THE NEW YORK RACING
ASSOCIATION, INC.

By: ______________________________
Name: C. Steven Duncker
Title: Chairman

THE STATE OF NEW YORK

By: David A. Paterson
Name: DAVID A. PATERSON
Title: GOVERNOR

THE NEW YORK STATE NON-
PROFIT RACING ASSOCIATION
OVERSIGHT BOARD

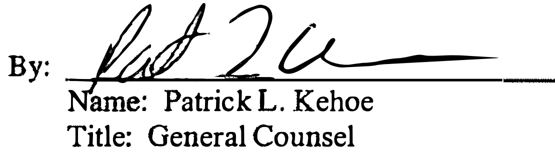
By: ______________________________
Name: Steve Newman
Title: Chairman

NEW YORK STATE DIVISION OF
THE LOTTERY

By: ______________________________
Name: Gordon Medenica
Title: Executive Director

ACKNOWLEDGED AND AGREED TO:

NYRA INC., f/k/a THE NEW YORK RACING ASSOCIATION INC.

By: 
Name: Patrick L. Kehoe
Title: General Counsel