

BUSINESS PLAN

2026 - 2028



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MESSAGE FROM THE BOARD CHAIR AND CHIEF EXECUTIVE OFFICER

On behalf of the Horse Racing Alberta (HRA) Board of Directors and Management Team, we are pleased to present the 2026 to 2028 HRA Business Plan. Through this plan, we identify our strategic objectives, priorities, and performance targets for the next three years. Our focus remains on building a sustainable, thriving horse racing industry that reflects our values, embraces innovation, and strengthens our connection to all those who make horse racing possible in Alberta.

We remain committed to promoting a culture of respect, accountability, and care across all levels of the industry. To support this, Horse Racing Alberta, its Licensed Trainers and their employees will be required to complete the free Respect in the Workplace online training program once every two years, ensuring continued awareness and reinforcement of shared standards of conduct. HRA will also enhance and implement a revised Backstretch Health Benefits program, the first of its kind offered free of charge, designed to meet the current needs of racing participants, improve access to services, and increase engagement within the backstretch.

Looking ahead, HRA will leverage industry best practices to develop and refine rules, policies, and protocols that strengthen the Equine Health and Safety Program. This includes adopting evidence-based standards, improving monitoring tools, and increasing education for racing participants. These efforts will support the well-being of our equine athletes and the individuals who care for them.

We also continually review and adapt our key programs, including the Racehorse Procurement Incentive Program (RPIP), the Racehorse Shipping Incentive Program (RSIP), and Stabling, to ensure they meet the evolving needs of horsemen and horsewomen. These improvements are guided by ongoing evaluation and engagement with our stakeholders.

To enable growth, HRA will continue the creation of a strategic investment plan to help facilitate development, supporting the infrastructure and investment required for long-term industry success. We will also continue to explore new entertainment opportunities, wagering products, and cross-merchandising initiatives that strengthen the reach and sustainability of horse racing in Alberta.

To maintain strong and transparent governance, HRA will develop and implement a clear and effective regulatory framework for the updated Racetrack Licensing Rules, including the consistent application of penalties and compliance mechanisms. HRA will also establish a comprehensive Stakeholder, Government, and Public Relations Strategy to advocate for the issues that matter most to our industry and to ensure that the voice of horse racing in Alberta remains strong and unified.

As part of our modernization efforts, we will continue to explore workflow design improvements, leveraging technology and automation to increase efficiency and reduce costs. By utilizing tools such as Power BI and other industry data systems, HRA will strengthen its analytical capabilities, providing deeper insights into licensing data, wagering activity, and breeding statistics across Alberta.

Horse Racing Alberta will also work closely with our racing and breeder associations to negotiate and implement a three-year agreement covering purse allocation, breed improvement, and A Track racing locations. This agreement will provide clarity and stability for all racing participants, support long-term planning for breeders and owners, and advance the sustainability and growth of Alberta's horse racing industry.

This joint message from the HRA Chair of the Board and Chief Executive Officer represents the commitment to this plan and achievement of its strategic objectives.



Diana McQueen

Chair of the Board

Kent Verlik

Chief Executive Officer

HORSE RACING ALBERTA

Horse Racing Alberta (HRA) was formed as a not-for-profit corporation with representatives from all segments of the industry to act as an independent organization that is open, transparent and accountable to Albertans. It was established with the Alberta Government's proclamation of the Horse Racing Alberta Act (the Act) in 2002 to lead a racing industry renewal and to manage self-regulation.

OUR MANDATE

In accordance with the Act, the mandated objectives of HRA are:

1. To govern, direct, control, regulate, manage, market and promote horse racing in any or all of its forms;
2. To protect the health, safety and welfare of racehorses and, with respect to horse racing, the safety and welfare of racing participants and racing officials; and
3. To safeguard the interests of the general public in horse racing.

OUR STRUCTURE

HORSE RACING ALBERTA BOARD

HRA BOARD COMMITTEES

- Audit & Finance
- Governance & Compensation
- Regulatory & Licensing
- Strategic Growth & Breed Improvement

HRA CHIEF EXECUTIVE OFFICER

HRA MANAGEMENT TEAM

- Director, Corporate Services
- Director, Regulatory & Supervisor of Racing
- Director, Marketing & Promotions
- Director, Business Development & Racing Support
- Chief of Staff

OUR VISION, MISSION AND VALUES

VISION

Alberta will be recognized internationally for premier horse racing, breeding and quality entertainment.

VALUES

Our **five core values** guide our actions and provide the moral compass necessary for us to achieve our vision and mission.

MISSION

Horse Racing Alberta will lead and enable a healthy, vibrant and progressive racing industry to function in the province of Alberta with high integrity and self-regulated responsibility.



INTEGRITY

We set and abide by the rules, can be trusted to do the right thing, and follow through on our words with action.



RESPECT

We value the unique contributions of individuals, ensure their voices are heard and welcome diversity.



ACCOUNTABILITY

We take ownership of our obligations and hold ourselves responsible for meeting our commitments.



COLLABORATION

We work with our stakeholders and partners knowing that together we are stronger and can do great things.



EXCELLENCE

We take pride in our work and set ambitious goals. We are passionate about our people, purpose and performance.

OUR STRATEGY

ORGANIZATIONAL STRATEGY

The HRA organizational strategy is represented as a single-page strategy map. The Board's four Strategic Thrusts listed at the top of the map form the basis of the strategy. Strategic objectives within each thrust are identified at the intersection of each Perspective.

The four Perspectives on the left side of the map provide a "balanced scorecard" model for performance measurement of each strategic objective to be reported in future annual reports.

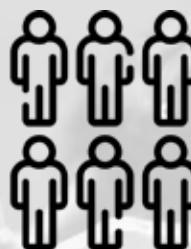
HRA will pursue these strategic thrusts that build toward the achievement of our vision. The strategic thrusts establish the overall direction for future business decisions and resource allocation to effect the necessary changes to the organization and its operations.

HRA STRATEGIC THRUSTS



VALUES BASED CULTURE

We will co-create a renewed values-based culture with our stakeholders.



ORGANIZATIONAL ALIGNMENT AND EFFECTIVENESS

We will work with stakeholders to modernize our regulatory environment, improve the provincial coordination of major activities and services, and streamline operations.



TECHNOLOGY DRIVEN RESILIENCE

We will improve our business intelligence capabilities, provide online access to licensing services and industry training, openly and transparently share more information with stakeholders, and make faster and better decisions.



RESPONSIBLE GROWTH

We will responsibly generate and grow revenue to stabilize and enhance the horse racing and breeding industry for the benefit of all Albertans.

OUR STRATEGY MAP

VISION MISSION VALUES			
Alberta will be recognized internationally for premier horse racing, breeding and quality entertainment.		Horse Racing Alberta will lead and enable a healthy, vibrant and progressive racing industry to function in the province of Alberta with high integrity and self regulated responsibility.	
STRATEGIC THRUSTS			
BALANCED SCORECARD PERSPECTIVES	Values Based Culture	Organizational Alignment and Effectiveness	Technology Driven Resilience
	CAPABILITY INVESTMENTS		
	Actively model and act in accordance with our values	Rationalize licensing, funding and joint venture agreements to provide greater clarity, focus and alignment of objectives	Acquire modern Business Intelligence (BI) capabilities to analyze performance, identify emerging trends and evaluate program effectiveness
	INTERNAL PROCESSES		
	Effectively communicate and uphold our values	Modernize existing rules, programs and policies and incorporate innovative leading practices	Provide online access to licensing services and industry training, refine processes and improve program performance
	CUSTOMERS & STAKEHOLDERS		
Co-create a renewed values based culture with stakeholders		Collaborate with stakeholders to provincially coordinate major activities and common services	Share information with stakeholders to enable informed, fact-based decision making
SUSTAINABILITY			
Work collectively to strengthen the health and safety of our equine athletes, racing officials and racing participants		Leverage economies of scale to reduce operating costs and create synergies	Anticipate, respond and adapt to build organizational resiliency
			Preserve the long-term sustainability of Horse Racing Alberta
2026-2028 BUSINESS PRIORITIES (3 YR PLAN)			
<p>Leverage industry best practices to develop and refine rules, policies, and protocols that strengthen the Equine Health and Safety Program and support the well-being of our equine athletes.</p> <p>Enhance and implement a revised Backstretch Benefits program that aligns with the current needs of racing participants, ensuring improved access to services and increased engagement.</p> <p>Monitor and evaluate the effectiveness of the Strategic Communication Plan to ensure stakeholder engagement, message clarity, and alignment with organizational goals.</p> <p>Require Licensed Trainers and their employees to complete the free Respect in the Workplace online training every three (3) years to reinforce our values and culture while promoting respect in the backstretch.</p> <p>Improve the Co-Operative Marketing program in collaboration with stakeholders and explore opportunities to support the growth of industry-driven revenues.</p> <p>Develop and implement a clear and effective regulatory framework for the updated Racetrack Licensing Rules, including the application of penalties and compliance mechanisms.</p> <p>Work with racing associations and racetrack operators to support owner recruitment, engagement and retention.</p> <p>Create a Stakeholder, Government, and Public Relations Strategy and Plan to identify, advocate, and champion issues of relevance and importance on behalf of the industry.</p> <p>Explore and implement workflow design improvement opportunities, in part by leveraging new technology or applications, to improve efficiencies and reduce costs.</p> <p>Use Power BI and Incompass to improve our analytical capabilities to gain insights from our licensing data, creative new racing conditions, pari-mutuel wagering results, Alberta horse racing and breeding statistics.</p> <p>Research and implement innovative solutions and emerging technologies to enhance security in the backstretch.</p> <p>Upgrade the HRA Licensing System to a "Low Code Environment" to enhance the user experience, simplified reporting capabilities for Licensing staff, and adaptability for future business requirements.</p>			
METRICS			
Stakeholder Engagement Index		Racing compliance Total Provincial Marketing Expenditure	HRA Resiliency Index Program Efficiency Ratio Total Pari-mutuel Handle Total Purse Grants Total Breed Improvement Funding

VALUES-BASED CULTURE

WE WILL CO-CREATE A RENEWED VALUES-BASED CULTURE WITH OUR STAKEHOLDERS

HRA acts as the single voice of our industry. However, at times not all of our stakeholders are on the same page. The public and government expects our people, organization and stakeholders to work together in the best interests of the Alberta horse racing industry.

We must create the culture our organization needs to successfully execute our strategy and achieve our goals. By asking ourselves some tough questions, we can discover what needs to change to help us succeed. Taking this action will help unite us and make us stronger together.

OBJECTIVES

- Actively model and act in accordance with our values.
- Effectively communicate and uphold our values.
- Co-create a renewed values-based culture with stakeholders.
- Work collectively to strengthen the health and viability of our industry

BUSINESS PRIORITIES

- Leverage industry best practices to develop and refine rules, policies, and protocols that strengthen the Equine Health and Safety Program and support the well-being of our equine athletes.
- Enhance and implement a revised Backstretch Benefits program that aligns with the current needs of racing participants, ensuring improved access to services and increased engagement.
- Monitor and evaluate the effectiveness of the Strategic Communication Plan to ensure stakeholder engagement, message clarity, and alignment with organizational goals.
- Require Licensed Trainers and their employees to complete the free Respect in the Workplace online training every three (3) years to reinforce our values and culture while promoting respect in the backstretch.

Measure	Actual 2024	Forecast 2025	Target 2026	Target 2027	Target 2028
Stakeholder Engagement Index*	81.8%	74.6%	82.4%	83.7%	84.3%

*The 2025 Stakeholder Engagement Index is the combined average of the HRA Stakeholder Engagement Survey (73.9%), HRA Board Survey (82.6%) and HRA Employee Engagement Survey (67.3%).



ORGANIZATIONAL ALIGNMENT AND EFFECTIVENESS

WE WILL WORK WITH STAKEHOLDERS TO MODERNIZE OUR REGULATORY ENVIRONMENT, IMPROVE THE PROVINCIAL COORDINATION OF MAJOR ACTIVITIES AND SERVICES, AND STREAMLINE OPERATIONS

Working effectively together, we overcame many difficult challenges during the last few years.

Now is the time to raise the bar by bringing innovation to our regulatory environment and streamlining operations. Ensuring clarity across our licensing and funding agreements with industry will ensure we're all on the same page going forward.

OBJECTIVES

- Rationalize licensing and funding agreements to provide greater clarity, focus and alignment with objectives.
- Modernize existing rules, programs and policies and incorporate innovative leading practices.
- Collaborate with stakeholders to provincially coordinate major activities and common services.
- Leverage economies of scale to reduce operating costs and create synergies

BUSINESS PRIORITIES

- Improve the Co-Operative Marketing program in collaboration with stakeholders and explore opportunities to support the growth of industry-driven revenues.
- Develop and implement a clear and effective regulatory framework for the updated Racetrack Licensing Rules, including the application of penalties and compliance mechanisms.
- Work with racing associations and racetrack operators to support owner recruitment, engagement and retention.
- Create a Stakeholder, Government, and Public Relations Strategy and Plan to identify, advocate, and champion issues of relevance and importance on behalf of the industry.

PERFORMANCE MEASURES

Measure	Actual 2024	Forecast 2025	Target 2026	Target 2027	Target 2028
Racing Compliance*	86.7%	91.4%	91.6%	91.8%	92.0%
Total Provincial Marketing Expense**	\$737	\$900	\$600	\$650	\$700

* Racing compliance is the percentage of races ran without a rule violation

** Dollar totals are in '000s

TECHNOLOGY DRIVEN RESILIENCE

WE WILL IMPROVE OUR BUSINESS INTELLIGENCE CAPABILITIES, OPENLY AND TRANSPARENTLY SHARE MORE INFORMATION WITH STAKEHOLDERS, AND MAKE FASTER AND BETTER DECISIONS.

In today's world, information is power. Data integrity and having the ability to mine data to learn and find answers to difficult questions is essential. Sharing this information with stakeholders can result in better and quicker decision making.

OBJECTIVES

- Acquire modern Business Intelligence (BI) capabilities to analyze performance, identify emerging trends and evaluate program effectiveness.
- Provide online access to licensing services and industry training, refine processes and improve performance.
- Share information with stakeholders to enable informed, fact-based decision making.
- Anticipate, respond and adapt to build organizational resiliency.

BUSINESS PRIORITIES

- Explore and implement workflow design improvement opportunities, in part by leveraging new technology or applications, to improve efficiencies and reduce costs.
- Use Power BI and Incompass to improve our analytical capabilities to gain insights from our licensing data, creative new racing conditions, pari-mutuel wagering results, Alberta horse racing and breeding statistics.
- Research and implement innovative solutions and emerging technologies to enhance security in the backstretch.
- Upgrade the HRA Licensing System to a "Low Code Environment" to enhance the user experience, simplified reporting capabilities for Licensing staff, and adaptability for future business requirements.

Measure	Actual 2024	Forecast 2025	Target 2026	Target 2027	Target 2028
HRA Resiliency Index*	83.0%	72.8%	75.0%	76.0%	77.0%

*HRA Organizational Resiliency Index measures perceived performance across 16 elements in four categories (Leadership, People, Process and Product).

RESPONSIBLE GROWTH

WE WILL RESPONSIBLY GENERATE AND GROW REVENUE TO STABILIZE AND ENHANCE THE HORSE RACING AND BREEDING INDUSTRY FOR THE BENEFIT OF ALL ALBERTANS

Alberta's horse racing industry is crucial to the economic diversity of our province.

OBJECTIVES

- Increase the racehorse population and attract new owners through effective regulation, increased purses and policy incentives
- Continue to optimize race day scheduling, post times and field sizes to drive handle and slot revenue.
- Enhance horse racing's entertainment value to attract more fans and corporate sponsorship.
- Preserve the long-term sustainability of Horse Racing Alberta.

PERFORMANCE MEASURES

Measure	Actual 2024	Forecast 2025	Target 2026	Target 2027	Target 2028
Program Efficiency Ratio	92.1%	92.7%	92.9%	92.8%	92.8%
Total Pari-Mutuel Handle	\$83,683	\$88,235	\$89,125	\$90,016	\$90,916
Total Purse Grants	\$14,957	\$16,175	\$16,000	\$16,150	\$16,300
Total Breed Improvement Investment	\$4,320	\$5,100	\$5,050	\$5,100	\$5,150

* Dollar totals are in '000s. The Program Efficiency Ratio measures the percentage of total expenses directly related to program activities.

SUMMARY OF PERFORMANCE MEASURES

VALUES-BASED CULTURE

Stakeholder Engagement Index



*The 2025 Stakeholder Engagement Index is the combined average of the HRA Stakeholder Engagement Survey (73.9%), HRA Board Survey (82.6%) and HRA Employee Engagement Survey (67.3%).

ORGANIZATIONAL ALIGNMENT AND EFFECTIVENESS

Racing Event Compliance



*Racing compliance is the percentage of races ran without a rule violation.

Total Provincial Marketing Expense



*Dollars Totals are in '000s.

TECHNOLOGY DRIVEN RESILIENCE

HRA Resiliency Index



*The index measures perceived performance across 16 elements in four categories (Leadership, People, Process and Product).

SUMMARY OF PERFORMANCE MEASURES

RESPONSIBLE GROWTH

Program Efficiency Ratio



*The Program Efficiency Ratio measures the percentage of total expenses directly related to program activities.

Total Pari-Mutuel Handle



*Dollar totals are in '000s

Total Purse Grants



*Dollar totals are in '000s

Total Breed Improvement Investment



*Dollar totals are in '000s

OUR OPERATIONS

HRA is a governing body that also promotes and facilitates the growth, integrity and economic contribution of the Alberta horse racing and breeding industry. This shall be done by providing quality entertainment, employment, economic and value-added agricultural opportunities within a unified, viable, progressive, accountable and self-regulated industry environment.

The Alberta horse racing industry reflects three equal parts: breeding, racing and infrastructure. It is also a green industry. Our goal is to stabilize, enhance and ensure the growth and integrity of horse breeding, raising and racing in Alberta.

STAKEHOLDER, GOVERNMENT AND PUBLIC RELATIONS

Horse Racing Alberta (HRA) serves as the single voice for Alberta's horse racing industry, fostering collaboration and transparency among stakeholders, government partners, and the public. HRA is committed to maintaining strong relationships with the Government of Alberta to ensure the industry remains aligned with provincial priorities and economic objectives.

Through proactive communication, advocacy, and engagement, HRA identifies and advances key issues that support a sustainable, competitive, and responsible horse racing sector. The Board remains dedicated to representing all breeds and sectors within the industry while encouraging collaboration, adaptability, and shared success across Alberta's diverse racing community.

MARKETING

HRA works in partnership with industry to actively market and promote Alberta horse racing. The live horse racing and breeding industry in Alberta is as old as the province itself. For decades, the racing industry enjoyed much success and growth as the only legal form of gambling. In the 1990's, the industry began to face many challenges, including increased competition and other changes. In 2025, the marketing budget will be increased significantly.

Paid media buys and marketing efforts re-focused on social media, promoting our signature racing events, and highlighting our industry's rising stars - owners, trainers, jockeys/drivers and our equine athletes.

RACETRACK LICENSING

HRA encourages and promotes best practices in the development, operation and promotion of high-quality facilities for horses, fans, racing participants and racing personnel. To this point, HRA recently underwent consultation and revision of the racetrack licensing rules to reflect changes in industry standards while adapting to the facilities, new and old. Whether the racing surface, physical racetrack or conduct of horse racing operations, Albertans can be assured that the horses and humans are competing using modern measures under continual scrutiny. In addition, HRA oversees the licensing of off-track betting facilities and is working with stakeholders on expanding both the physical and on-line access by Albertans to horse racing.

BREED IMPROVEMENT PROGRAM

HRA facilitates growth in the breeding industry and the quality of racehorses bred in Alberta. The growth of the industry is largely dependent upon Alberta's ability to market the horses sired by Alberta stallions, or the mares that produce foals in Alberta. HRA's Breed Improvement Program (BIP) is directed at enabling the production of high-quality, Alberta-bred horses. Success within this sector takes time. Breeders require a five-year horizon from the time of arranging for the breeding to take place until the racehorse can reach its full potential on the racetrack. Regardless of where Alberta breeds race in Alberta, they are supported through the Breed Improvement Program. Bonuses are paid based on total purse monies earned by Alberta bred in races at race tracks in Alberta

HUMAN RESOURCE DEVELOPMENT

HRA facilitates the education, training, and well-being of individuals involved in Alberta's horse racing industry. HRA has been proactive in addressing human resource issues by improving conditions for its employees and increasing the available pool of qualified personnel. The industry has some unique needs, and the hours of work differ from those in most other sectors. In partnership with horsemen's organizations, racing industry solutions will address human resource needs and improve the quality of life for its employees. The HRA Backstretch Foundation was established to enhance the quality of life for the numerous personnel who work and sometimes reside at the track. We offer addiction referral and benevolence to those in need.

OUR OPERATIONS

REGULATORY

Horse Racing Alberta (HRA) is responsible for safeguarding the integrity, fairness, and safety of horse racing across the province. Through diligent oversight, enforcement of the Rules of Racing, and proactive collaboration with industry stakeholders, HRA ensures that all participants—horses, horsemen, and the betting public—can have confidence in the sport's credibility.

Horse Racing Alberta will continue to strengthen its commitment to excellence in equine and human welfare, integrity testing, and compliance. Key priorities include the ongoing review and improvement of testing protocols, regulatory staff development, and increased support for safety initiatives.

Horse Racing Alberta emphasizes education, collaboration, and consistency in rule enforcement to maintain public trust and support the long-term sustainability of Alberta's horse racing industry.

HRA remains dedicated to upholding the highest standards of professionalism, integrity, and welfare in horse racing across all breeds and racetracks in Alberta.

ANIMAL WELFARE

Horse Racing Alberta (HRA) is committed to the highest standards of animal welfare and continuous improvement in the care, health, and safety of racehorses. Protecting the welfare of equine athletes is one of HRA's legislated objectives and remains a cornerstone of our operations and reputation.

To advance this, HRA continues to invest in research and innovation through partnerships such as the University of Calgary Faculty of Veterinary Medicine project, which focuses on evidence-based strategies to enhance equine health, welfare and performance.

The creation of HRA's Equine Health and Safety Subcommittee further strengthens our ability to, alongside stakeholders and industry professionals, identify emerging issues, implement best practices, and collaborate across all breeds and disciplines.

Each year, HRA commissions independent "A" racetrack inspections by a third-party organization with expertise in North American racing to ensure Alberta's racetracks meet the highest safety and welfare standards for both horses and participants.

While Alberta's racehorses are well cared for, HRA recognizes that maintaining public trust is vital. We remain committed to transparent communication, education, and collaboration with industry partners to reinforce confidence in our practices.

PURSE ALLOCATION

HRA strives to manage and maximize purses, based on revenues available, to stimulate the overall activity and investment in the industry.

Purse structure serves as a foundation for all aspects of participation and investment in live horse racing.

Purses ultimately determine the quality of the horses racing at all horse racetracks, which then directly determines the revenues that may be potentially generated.

The purse structure in Alberta must be substantial, significant and sustainable. This will provide commitment to the fiscal viability for those investing and participating in horse racing and allows these industry participants to plan for the long term.

BUSINESS DEVELOPMENT AND RACING SUPPORT

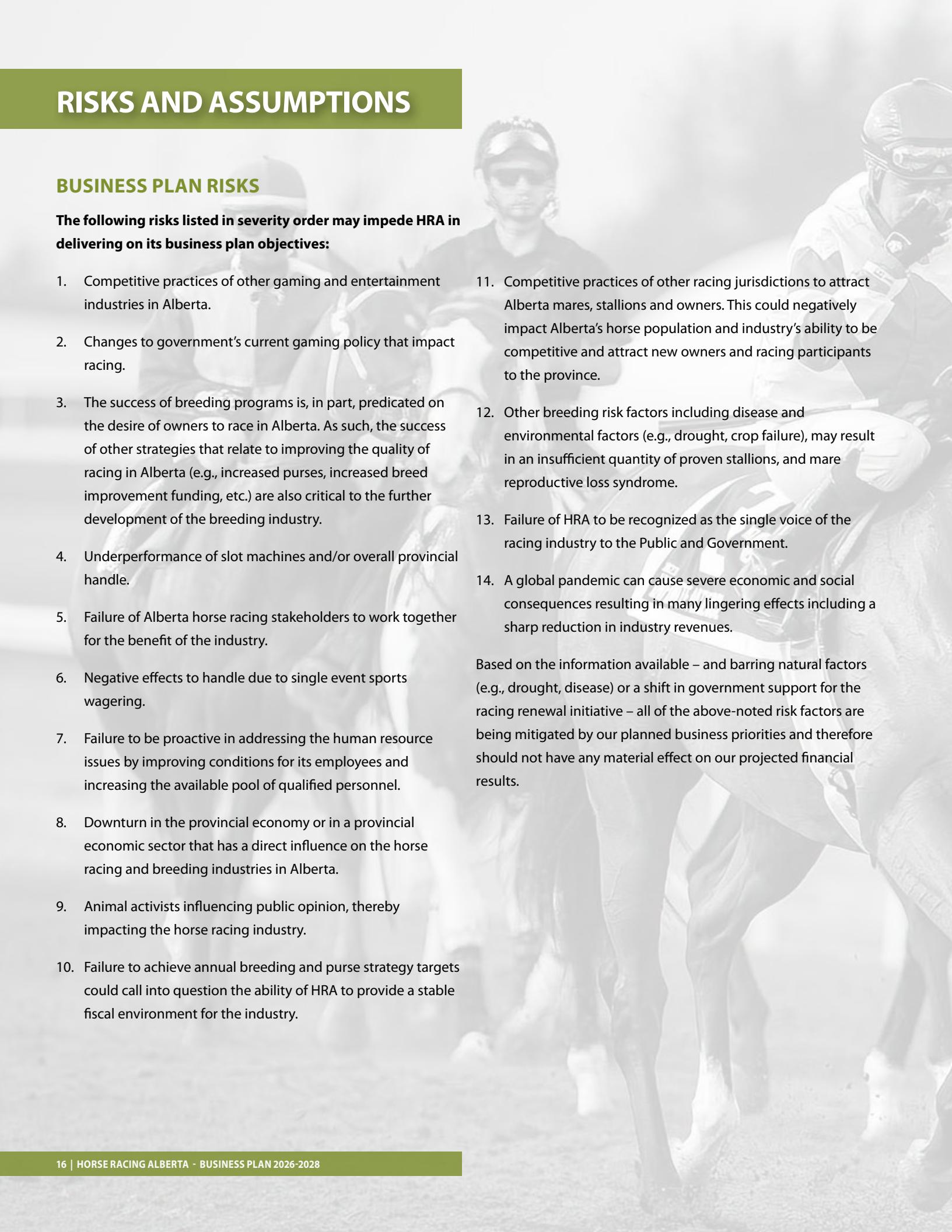
Horse racing is ever-evolving, where technology, gaming expansion and access have both enhanced facets of the industry and changed the competitive landscape. When Horse Racing Alberta was formed by the Horse Racing Act in 2002, wagering on horse racing was available at the track and at the "new" off-track or intertrack wagering facilities. Today, wagering on the internet and through phone applications is a matter of course, and while easing the ability to make a horse wager, it has created a fantastically competitive environment 24/7.

Staying current and exploring opportunities to grow and enhance consumer experience is vital while also emphasizing and promoting participation in the sport. Horse Racing Alberta, through Business Development and Racing Support, is focused on connecting the industry with new initiatives and opportunities to grow and enhance the legacy of horse racing.

RISKS AND ASSUMPTIONS

BUSINESS PLAN RISKS

The following risks listed in severity order may impede HRA in delivering on its business plan objectives:



- 1. Competitive practices of other gaming and entertainment industries in Alberta.
- 2. Changes to government's current gaming policy that impact racing.
- 3. The success of breeding programs is, in part, predicated on the desire of owners to race in Alberta. As such, the success of other strategies that relate to improving the quality of racing in Alberta (e.g., increased purses, increased breed improvement funding, etc.) are also critical to the further development of the breeding industry.
- 4. Underperformance of slot machines and/or overall provincial handle.
- 5. Failure of Alberta horse racing stakeholders to work together for the benefit of the industry.
- 6. Negative effects to handle due to single event sports wagering.
- 7. Failure to be proactive in addressing the human resource issues by improving conditions for its employees and increasing the available pool of qualified personnel.
- 8. Downturn in the provincial economy or in a provincial economic sector that has a direct influence on the horse racing and breeding industries in Alberta.
- 9. Animal activists influencing public opinion, thereby impacting the horse racing industry.
- 10. Failure to achieve annual breeding and purse strategy targets could call into question the ability of HRA to provide a stable fiscal environment for the industry.
- 11. Competitive practices of other racing jurisdictions to attract Alberta mares, stallions and owners. This could negatively impact Alberta's horse population and industry's ability to be competitive and attract new owners and racing participants to the province.
- 12. Other breeding risk factors including disease and environmental factors (e.g., drought, crop failure), may result in an insufficient quantity of proven stallions, and mare reproductive loss syndrome.
- 13. Failure of HRA to be recognized as the single voice of the racing industry to the Public and Government.
- 14. A global pandemic can cause severe economic and social consequences resulting in many lingering effects including a sharp reduction in industry revenues.

Based on the information available – and barring natural factors (e.g., drought, disease) or a shift in government support for the racing renewal initiative – all of the above-noted risk factors are being mitigated by our planned business priorities and therefore should not have any material effect on our projected financial results.

RISKS AND ASSUMPTIONS

ASSUMPTIONS TO FINANCIAL PROJECTIONS 2026 TO 2028:

- 2025 Forecast is based on actuals to September 30th. Handle is expected to be about \$ 183K above target as total handle is trending to be \$ 3.5M above target. Slot revenue was budgeted at \$48.4M for 2024 and is trending to reach \$47.9 by the end of the year. Racetrack funding is expected to be \$ 1.0M below budget as this is based directly on lower slot revenues. Purses and Breed Improvement were budgeted at \$ 21.1M (and were bumped mid-year to \$ 21.3 the full amounts will be spent. Other operational expenses are \$ 100K over due to IT costs, track inspection costs and travel costs being over budget.
- There will be a significant operating loss in 2025 and an operating loss of about \$252K is forecast for 2026.
- 2026 Budget sets handle revenue with a 1% increase over the 2025 forecast. Performance metrics for field sizes and what constitutes a race day developed in 2020 should allow us to reach projected handle amounts. Slot revenue is budgeted with a 2.0% growth rate at Century Mile, a 2.0% growth rate at Century Downs, a 0% growth rate at Rocky Mountain Turf Club and Evergreen Park and a 5% growth rate at Track on 2.
- The budget for slot revenue has been set at \$ 48.4M for 2026. Purses have been reduced to \$16.0M and breed improvement has been reduced to \$ 5.05M. The Racehorse Population Incentive Programs have been included with a budget of \$ 600K (split between population incentive and ship-in incentive). Marketing has been reduced to \$600K. Manpower has been decreased by \$ 3.1%K to reflect anticipated manpower needs (26 FTE's). Administration costs have been budgeted at a 13.3% decrease over the 2025 full year forecast and include increases for out of competition testing as well as inflationary increases in several specific line items. Racetrack Funding, which is a percentage of slot revenue generated at each REC, has increased to \$ 27.3M based on our projections for slot revenues. Human resource development and animal welfare have also been decreased (\$ 200K) to reflect the elimination of the Olds College program and a reduction in costs for the Human Resources Development programs.

These include the implementation of the new Backstretch Benefits program for the backstretch workers at all our tracks and the Decreasing Injury in Racehorses Project through the University of Calgary.

- 2027 projections reflect a 1% increase in handle over the 2026 projections with continued use of performance metrics to generate handle. Similarly, a projected increase in slot play should result in a \$ 181K increase in HRA's slot revenue. (the potential relocation of the Camrose Casino may have a negative effect on slot revenue in 2027). Purses and Breed Improvement to increase to \$ 21.25M with the Racehorse Population Incentive Programs at \$ 600K. Marketing has been increased to \$ 650K to continue promoting the racing industry. Other operational expenses have been budgeted to remain flat.
- 2028 projections show a 1% increase in handle and a 1.95% increase in slot revenue based on anticipated impact of the Camrose relocation. Purses and Breed Improvement are projected to increase to \$21.45M. RPIP and RSIP budgeted at \$450K. Marketing has been increased to \$700K. Other operating expenses remain flat.
- General fee is 5% of handle, Promotional Levy is .06% of "feature" handle (any wager other than win-place-show) which is estimated to be 63.75% of the total.

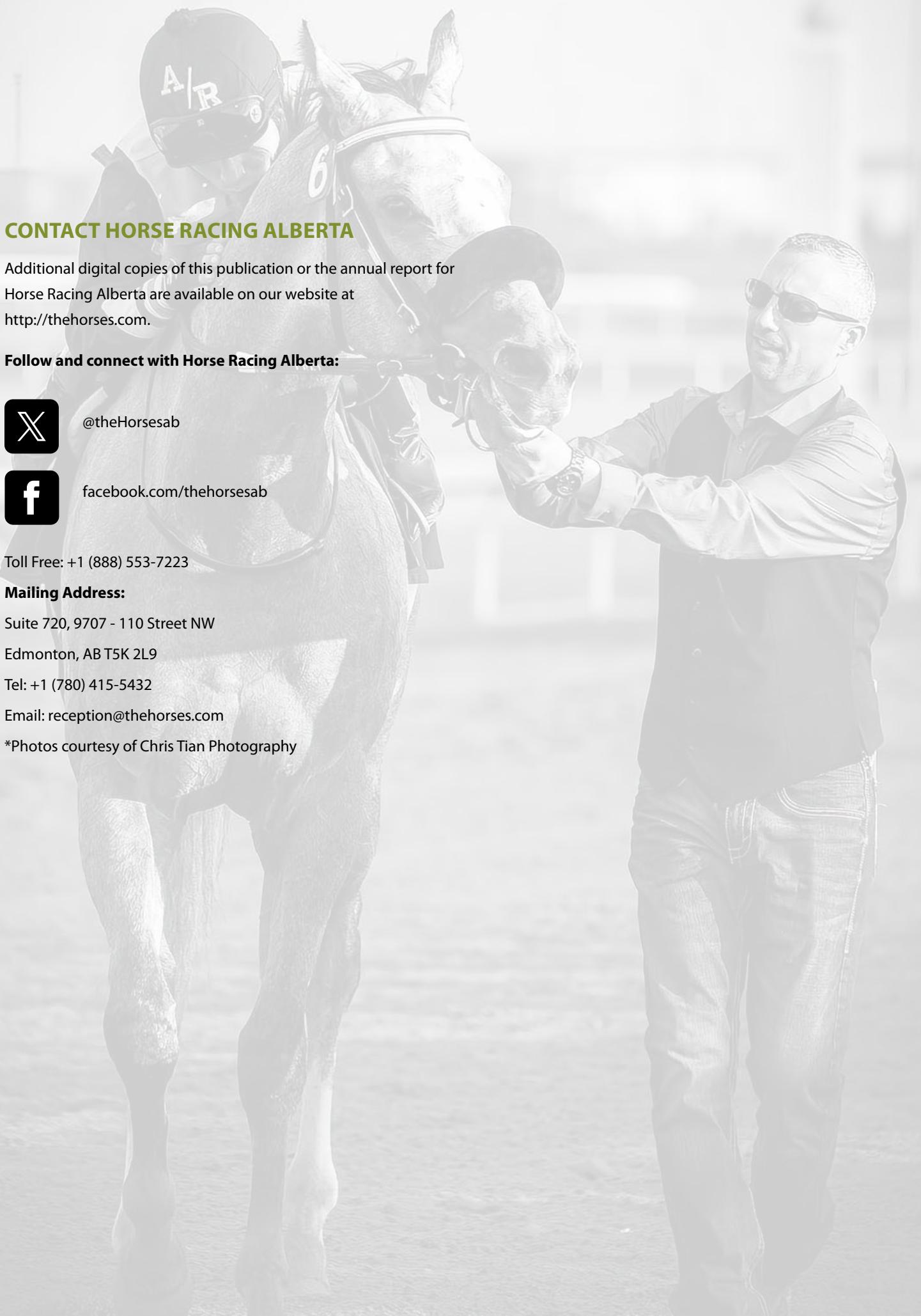
Cumulative Surplus/(deficit) from HRA programs and operations is carried over from year to year. HRA's fiscal year-end is December 31. The accumulated deficit from prior years was eliminated in 2022. Any accumulated surplus generated will be eroded over the next few years with anticipated increases in program expenditures, as well as, the creation of the Strategic Investment Fund.

BUSINESS PLAN BUDGET AND PROJECTIONS

HORSE RACING ALBERTA FINANCIAL PROJECTIONS 2026 TO 2028

The following table presents a summary of the Horse Racing Alberta budget for 2026 as well as projections for fiscal years 2027 and 2028.

	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Forecast	2026 Budget	2027 Forecast	2028 Forecast
REVENUE:									
General Fee - Handle 5%	\$4,312,069	\$4,063,665	\$4,587,328	\$4,404,936	\$4,159,669	\$4,413,691	\$4,451,007	\$4,540,029	\$4,585,428
Promotional Levy - Handle 0.4%	\$333,418	\$314,778	\$346,704	\$332,371	\$346,670	\$332,085	\$333,734	\$340,409	\$343,813
Licenses & Fines	\$328,149	\$104,330	\$134,941	\$136,375	\$116,953	\$127,826	\$144,837	\$149,939	\$155,350
Other	\$165,270	\$468,159	\$538	\$0	\$0	\$935	\$25,000	\$37,500	\$45,000
Slot Revenue	\$26,065,898	\$23,085,858	\$43,346,918	\$45,928,105	\$47,087,478	\$47,964,576	\$48,390,038	\$48,571,165	\$49,518,632
Interest on Deferred Contributions	\$7,490	\$0	\$36,633	\$24,299	\$83,568	\$127,384	\$93,371	\$93,371	\$93,371
GOA Agreement Sub-total	\$26,073,388	\$23,085,858	\$43,383,551	\$45,952,404	\$47,171,046	\$48,091,960	\$48,483,409	\$48,664,536	\$49,612,003
Total Revenue	\$31,212,294	\$28,036,790	\$48,453,062	\$50,826,086	\$51,794,338	\$52,966,497	\$53,437,987	\$53,732,413	\$54,741,594
EXPENSES:									
Racetrack Funding Grant	\$16,276,203	\$13,869,056	\$24,729,357	\$25,841,459	\$26,652,667	\$27,032,546	\$27,279,722	\$27,374,741	\$27,910,157
HRA Purse Grant	\$6,576,676	\$8,241,260	\$12,500,020	\$13,850,000	\$14,957,216	\$16,174,555	\$16,000,000	\$16,150,000	\$16,300,000
Breed Improvement Program	\$2,620,000	\$2,850,000	\$3,401,000	\$3,900,000	\$4,320,000	\$5,100,000	\$5,050,000	\$5,100,000	\$5,150,000
Incentive Programs (RPIP, RSIP)	\$0	\$0	\$332,675	\$538,542	\$730,674	\$628,762	\$600,000	\$600,000	\$450,000
Regulatory / Administration	\$2,626,339	\$2,758,681	\$3,215,772	\$3,751,731	\$4,071,203	\$3,917,616	\$3,810,000	\$3,886,200	\$3,963,924
HRA Marketing and Promotion	\$413,273	\$422,483	\$520,527	\$600,602	\$736,788	\$899,876	\$600,000	\$650,000	\$700,000
Backstretch/Animal Welfare	\$73,620	\$253,701	\$83,468	\$121,510	\$189,555	\$196,852	\$350,000	\$350,000	\$350,000
Total Expenses	\$28,586,111	\$28,395,181	\$44,782,819	\$48,603,844	\$51,658,103	\$53,950,207	\$53,689,722	\$54,110,941	\$54,824,081
ANNUAL SURPLUS / (DEFICIT) FROM PROGRAMS	\$2,626,183	-\$358,391	\$3,670,243	\$2,222,242	\$136,235	-\$983,710	-\$251,735	-\$378,528	-\$82,487
Add:									
Cumulative Surplus from Previous Year	-\$2,317,547	\$308,636	-\$49,755	\$3,620,488	\$5,831,254	\$5,991,440	\$5,007,730	\$4,755,995	\$4,302,467
Change in Net Assets	\$0	\$0	\$0	-\$11,476	\$23,951	\$0	\$0	\$0	\$0
Track on 2 Loan Forgiveness									-\$75,000
CUMULATIVE SURPLUS UNRESTRICTED / (DEFICIT)	\$308,636	-\$49,755	\$3,620,488	\$5,831,254	\$5,991,440	\$5,007,730	\$4,755,995	\$4,302,467	\$4,219,980



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