



State of New York
Franchise Oversight Board
State Capitol
Albany, NY 12224

MINUTES

Franchise Oversight Board Meeting
November 26, 2012
Conference Room 131, State Capitol, Albany, New York

**I. The meeting was called to order at 1:31 PM by the Chair, Mr. Williams.
Establishment of a quorum was noted.**

Members Present:

Robert Williams, Chair
Richard Aurelio, Member
(participated via videoconference)
John Crotty, Member
(participated via videoconference)
Steven Newman, Member
(participated via videoconference)

Board Staff in attendance:
Steven Lowenstein

Bradley Allen

NYRA Staff in attendance:

Ellen McClain, President and Chief Operating Officer
(participated via videoconference)
Kenneth Handal, Acting General Counsel and Chief Ethics and Compliance Officer
(participated via videoconference)
Susanne Stover, Senior Vice President and Chief Financial Officer
(participated via videoconference)
David O'Rourke, Vice President of Corporate Development
(participated via videoconference)

Public in attendance:

Richard Geist
Kyle Hughes
Charles Kruzansky
David Lombardo

James Odatto
Mark Massaroni
John Svare

II. APPROVAL OF BOARD MEETING MINUTES FOR August 30, 2012

ON A MOTION BY: Mr. Crotty

SECONDED BY: Mr. Newman

APPROVED: 3-0 (Mr. Aurelio was absent from the vote. However, he stated that had he been present he would have voted to approve the minutes.)

III. CONSIDERATION OF RESOLUTION 12-06– APPROVAL OF AN EXTENSION THROUGH THE END OF THE 2013 SARATOGA MEET OF THE EXISTING TOTE AGREEMENT BETWEEN NYRA AND UNITED TOTE, WITH NO CHANGES IN GENERAL TERMS AND CONDITIONS.

Mr. Williams presented the item, stating that at the last meeting, the Board had approved a 30-day extension of the current agreement between the New York Racing Association, Inc. (NYRA) and United Tote. NYRA was now requesting an extension through the end of the 2013 Saratoga meet. Mr. Williams explained the NYRA had issued a Request For Proposals (RFP) for a tote provider and evaluated responses, but did not want to present a new contract to the Board prior to the NYRA Reorganization Board review of that contract. Mr. Williams further explained that other natural transition points to switch tote providers were problematic due to the need to provide the Reorganization Board sufficient time to review the contract and a desire not to make a switch just prior to the opening of the Saratoga meet.

ON A MOTION BY: Mr. Newman

SECONDED BY: Mr. Crotty

APPROVED: 3-0 (Mr. Aurelio was absent from the vote. However, he stated that had he been present he would have voted to approve the Resolution.)

Mr. Aurelio arrived following the vote on Resolution 12-06

IV. DISCUSSION OF NYRA'S THIRD QUARTER OPERATING RESULTS

Ms. Stover presented NYRA's third quarter financial results. NYRA earned \$24.8 million in operating income and \$59.9 million in net revenue from racing operations. Operating expenses were \$47.4 million for the quarter. NYRA generated \$912.6 million in total handle, composed of \$255.2 million in on-track handle (an increase of 6.7 percent from the same period last year) and export handle of \$657.5 million (an increase of 17 percent from the same period last year. Average field size increased from 8.08 to 8.47.

Mr. Newman questioned the imposition of a freedom of information law exemption statement on the financial presentation, stating he did not regard any of the information as confidential and proprietary.

Mr. Newman noted that the drop in attendance at Belmont was worrisome. Ms. McClain responded that NYRA found it a bit worrisome as well, that the Advance Deposit

Wagering operators (ADW) were aggressively going after NYRA's customers and that NYRA needed stronger technology to support its ADW business and customer relationship management. Ms. McClain also noted that some attendance was going to Aqueduct and to some point NYRA was competing with itself.

Mr. Crotty commented that he believes that there should be consideration of shifting a portion of VLT revenue used for purses for use in marketing.

Mr. Newman asked a series of questions regarding NYRA's capital budget and requested and NYRA agreed to provide a comparison of actual capital spending versus budgeted spending. Ms. Stover responded that NYRA spent \$3.5 million in the quarter and \$9.9 million year-to-date. The budget for the full year was \$20.3 million. Ms. McClain added that \$4.5 million was allocated for dorms at Belmont Park, which will not be spent in the current year. Mr. Aurelio commented that there should be more capital improvements at Aqueduct. Ms. McClain responded that the new NYRA Board needed to decide on a long-term strategic view for Aqueduct and that Resorts World was funding a 20,000 square-foot sports betting facility.

Mr. Newman stated that the financial condition of the OTBs gets worse every time the Board reviewed NYRA's operating results, and asked if the Board could get a report on the ongoing financial outlook for the OTBs. It was agreed that the Racing and Wagering Board would provide a report.

V. DISCUSSION OF NYRA'S SINGLE, SOLE AND EMERGENCY PROCUREMENT

Mr. Williams asked a series of questions regarding the single source contract with Global Betting Exchange. Ms. McClain and Mr. O'Rourke replied that NYRA had conducted a Request For Qualification (RFQ) about a year ago, and Global Betting Exchange had been one of five or six respondents. After reviewing the responses, NYRA determined that the responses did not meet NYRA's needs, but upon further discussions with Global Betting Exchange, NYRA realized that Global Betting Exchange had already developed an integrated ADW and customer management system that NYRA was looking for. Global Betting Exchange currently operates the second largest betting exchange behind Betfair, and operates in Europe and Asia.

Mr. Williams asked about the selection of Carr-Hughes for a single source contract. Ms. McClain responded that as part of the agreement with NBC for the Summer at Saratoga series, NBC had suggested working with Carr-Hughes.

Mr. Newman asked about the single source contract with Phinney Design Group as the architect for the Saratoga front side redevelopment project. Mr. O'Rourke replied that Blackburn had been the original architect on the project, but that NYRA had had some trouble working with them. Phinney Design Group was already the architect for the backside redevelopment, and NYRA determined that it would be best to have one architect for both sides of the project.

VI. NEW BUSINESS/OLD BUSINESS

Mr. Williams asked about the impact on NYRA from Hurricane Sandy. Ms. McClain responded that approximately 60 percent of NYRA's employees were seriously affected, but only one had lost their house. Although approximately 100 trees were lost at Belmont Park, the NYRA facilities were not significantly impacted, and NYRA was able to open the Aqueduct meet on the scheduled date.

Mr. Crotty commented that he believes that the pricing structure that tracks use to sell their signals for was broken and that structure poses one of the largest operational risks to the tracks. He believes that there are a variety of ways to address the issue and encouraged the NYRA Board to take up the issue and to address the problem. There was no evident reaction from NYRA regarding the commentary.

VII. CHAIR'S REPORT

Mr. Williams noted that there would be a need for a Board meeting in mid-January.

VIII. The meeting was adjourned at 2:43 PM.

ON A MOTION BY: Mr. Aurelio

SECONDED BY: Mr. Crotty

APPROVED: 4-0