



**Task Force on the Future of Off-Track Betting in
New York State**

**MINUTES
MEETING OF AUGUST 20, 2009**

A meeting of the Task Force on the Future of Off-Track Betting in New York State was held on Thursday, August 20, 2009 at 11:00am at the Victoria Pool Building, 19 Roosevelt Drive at the Saratoga Spa State Park, Saratoga Spring, New York.

In Attendance Were:

Chairman John Van Lindt
Brad Fischer
Thomas Casaregola, Secretary
Vice-Chair John Crotty (via telephone)
Jerry Skurnik (via telephone)

Also In Attendance Were:

Jon J. McCloskey
Martin Basinait, Western OTB
Maureen Flynn, Monticello Raceway
Kevin Kearny, Finger Lakes
Jamie Hartman, Saratoga Gaming
Donald Groth, Catskill OTB
Valerie Lucanera, Catskill OTB
Pam Donehower, International Racing Management (IRM) Ltd
James Mango, Buffalo Raceway
Nancy Priputen Madrian, Capital OTB
Jim Crane, Crane, Parente and Cherubin
John Hindman, TVG
Dino Amoroso, Nassau Downs OTB
Skip Piscatelli, Wilson Elser
Nick Antenucci, Wilson Elser
Martin Kinsella, NYS Thoroughbred Breeding Fund
Sylvia Hamer, Executive Chamber
Patrick Kehoe, NYRA
Dick Powell, RGS
Dianne Frazier, NY Breeders
Robert Hemsworth, Capital OTB
Shawn Wiles, Monticello Raceway
Peter Goold, Ag & NYS Horse Breeding Fund
James Orgen, sz H

George Karam, Saratoga HHA / Empire State HHA
Richard Burstein, Saratoga Gaming & Raceway
Mike Corbin, Delaware North Companies Inc.
Jim Gallagher, NYTHA
Matt Hegarty, Daily Racing Form (DRF)
Abby Jenkins, NYSAC
Marietta Seaman, Suffolk OTB
Jeff True, United Tote
Brendan Fitzgerald, Executive Chamber
John Mattarazo, Saratoga Gaming
Edward Bogdan, NYTB
Jeffrey Cannizzo, NYTB
Joe McMahon, Joe McMahon Thoroughbred Farm
Ellen McClain, NYRA
Phil Palermo, Finger Lakes
Pat Placito, Finger Lakes
Rob Palumbo, NYRA
John Signor, Capital OTB
Gene Chabrier, XpressBet
Honorable John Sabini, Chairman of the New York State Racing and Wagering Board
Kristin Buckley, NYSRWB
James Kellogg, NYSRWB
Ronald Ochrym, NYSRWB
Joseph Mahoney, NYSRWB
Dan Wray, NYCOTB

Call to Order

The meeting was called to order at 11:00 a.m.

Minutes of Previous Meeting

Chairman Van Lindt requested a motion to approve the minutes of the meeting held on July 30, 2009. A motion was made by Chairman Van Lindt and seconded by Thomas Casaregola. The minutes were approved unanimously.

Appointment of Records Access Appeals Officer

Thomas Casaregola made a motion to appoint John Van Lindt the records access appeals officer. The motion was seconded by Brad Fischer. The motion was approved unanimously.

Executive Session

The Task Force went into executive session at 11:07am to address freedom of information issues raised by two of the racetracks. The executive session ended and the meeting resumed at 11:34am.

Introductory Remarks

Chairman Van Lindt provided a summary of the history of Off-track betting, racing and Video Gaming in New York State including handle (bets placed in NYS) trends. A summary of the meetings and resolutions the Task Force made to date was also provided.

Public Comment

Chairman Van Lindt noted that various individuals were invited to address the Task Force at this meeting.

Mr. Dino Amoroso, president of Nassau OTB summarized Nassau OTB's operations and stated that they have cut costs since he began in 2006, closed inefficient branches and changed operations. They began offering Internet wagering, implementing 8 FastBet facilities and offering more automated (self service) wagering platforms as well as began a players rewards program. These wagering platforms are significantly less costly to operate than traditional brick and mortar branches however the out of state ADWs still continue to take business (bettors) that would otherwise wager with them. (The profit margin for Internet wagering program is about 17% to 18% while the profit margin for their branches is about 10%.) Mr. Amoroso suggested that OTBs be authorized to operate VLTs, have a statewide marketing program, a joint internet platform with NYRA and all NYS tracks and OTBs, and that OTBs no longer be required to pay dark day and hold harmless payments to the NY tracks. He stated that Nassau and Suffolk OTB share telephone wagering operations which has proved to be very beneficial for both entities. Mr. Amoroso also stated that Nassau OTB performed a study of the OTB structure in the other jurisdictions that concluded that none of these structures have been successful. Mr. Amoroso was asked to provide a copy of the OTB study Nassau OTB performed as well as submitting a copy of the uniform tote RFP the OTBs issued.

Jim Mango, chief operating officer of Buffalo Raceway supports the idea of statewide tote, Internet, TV (for NYS racing) and buying co-op for out-of-state simulcast signals. Also supports prohibiting out-of-state ADWs from taking bets from NY residents. Stated there was too much competition in NYS among the tracks and OTBs and that the Task Force needs to think of the patrons.

John Hindman, senior vice president and counsel for TVG stated they are licensed in 15 states. TVG decided the best way to enter the NY market was to partner with a licensed NY operator, Yonkers Raceway to operate Yonkers' Internet and account wagering platform. Therefore they collect, and pay, all NYS taxes, breeder's payments etc like every other NYS licensed provider. Stated that on-line (electronic) account opening and sign up is necessary to provide an easy way for customers to open accounts. The current restriction from this practice is hurting their ability to grow in the NY market. California is a good example to follow for regulation of ADW operations.

Dick Powell, Racing and Gaming Services (RGS) of St. Kitts, a rebate shop stated they are just like any other ADW, they participate in the pools and contribute to purses, taxes etc. The only difference from them and other ADWs is they are off shore. The off shore bookmakers, the operators who are not in the (host track) common pools are pirates, stealing the track's signal and paying nothing to the industry. Closing the borders of New York from out of state ADWs will

only drive bettors to the bookmakers (pirates) and further hurt the industry. If the OTBs are going to survive they must get rid of the surcharge to be competitive. A plan must be developed to keep the participating counties whole. The monopoly the OTBs had in NYS is gone, the open market is what he believes makes operators better and competitive. Rebates make it possible for good bettors to make money and become professional bettors, which in turn increases the amount they bet as well as revenue to the industry. RGS has good relationships with horsemen around the country as a result of the high volume of wagering they do. Mr. Powell disagreed with Dino Amoroso and stated that tracks who own OTB's are profitable. Mr. Powell stated he worked at the Fairgrounds in Louisiana, who owned OTBs that were very profitable.

A break was taken at 12:56pm. The meeting resumed at 1:05pm

Philip Palermo, Finger Lakes cited the recent New York State Comptrollers audit of New York City OTB and stated they should devote their time to address their administrative and operating costs structure rather than attacking the current statutory structure. In addition he recommended that they (NYCOTB) stop taking the out of state signals they say is costing them too much in statutory fees. New leadership is needed at NYCOTB. They (Finger Lakes) could take over the management of NYCOTB and make it profitable.

Shawn Wiles, Monticello stated that NYCOTB (finances) make it clear that the OTB model (in NYS) needs to be changed. Stated that despite the findings of the recent New York State Comptrollers audit of New York City OTB, (NYCOTB) has done nothing to address the problems. The Task Force needs to address major issues such as requiring the OTBs to pay the tracks what they owe them and not wait extended periods of time for the required payments. The maintenance of effort payments, hold harmless and dark day payments need to be paid. The practice of the OTBs taking out of state harness signals at night over the New York Harness signals must stop. Suggest that the option of the tracks running the OTBs should be explored. It is in the best interest of everyone that the OTBs remain strong.

Martin Kinsella, Executive Director of the New York State Thoroughbred Breeding and Development Fund. The Fund takes no position of what form or structure the OTBs take as long as the revenue from OTBs continue to the Fund, as this is the majority of the Funds revenue (over 72%). Without the breeders there wouldn't be any horses to bet on. Suggest the task force recommend that the fund receive the same percentage of revenue from all sources of wages rather than the current various calculations now in place. NYCOTB provides about 40% of the Funds total revenue. Current delay in payments from NYCOTB is causing the Fund, for the first time ever, to delay payments for owners and breeders awards. Current statute provides no time frame for when OTBs are to submit statutory payments to the Fund. Therefore it is suggested that the Task Force recommend a date certain be established in statute that requires when payments are to be submitted to the Fund.

Peter Goold, Executive Director of the New York State Agriculture Horse Breeding and Development Fund stated there are about 400 horse farms in NYS in about 49 counties that occupy about 4,000 acres. About 25% of these farms are standardbred farms. NYCOTB provides about 6% of the Fund's total revenue, the majority of the Funds revenue now comes from VLTs. The OTBs use to account for about 75% of the Funds total revenue, before VLTs and now

account for about 25% of the Funds revenue (after VLTs.) It is important that the revenue from OTBs continue to the Fund to maintain the strong breeding program that the Fund supports.

John Matarazzo, Director of Racing Operations Saratoga Gaming and Raceway noted that Dino Amoroso mentioned that the OTBs mandate ways to curb bookmaking and provide revenue for local governments but did not mention that the other mandate the OTBs have is to support racing and breeding. He has worked for both OTB and racetrack. When he was at OTB the focus was to maximize revenue for the support of government and they spent little time considering the long-term impact (of what they were doing) on racing. Everyone was making more money at the beginning of OTB. OTB has drastically reduced revenue that Saratoga Gaming and Raceway makes annually. Capital OTB owes them over \$2 million in hold harmless payments of which 50% of that money goes to purses. Recommend the hold harmless payments provided a higher commission rate be paid to the host NY track, enact legislation to offer additional gaming (non-taxable free play and table games), improve operating efficiencies and hold the out of state ADWs to the same standard as the NYS OTBs by requiring them to pay the same amounts the OTBs pay. Mr. Matarazzo stated that he believes there is too many wagering outlets in NYS, compared to other states. There is no new revenue to make therefore consolidation is logical but is not a long-term solution. The only practical and permanent solution is to privatize OTB. This will align OTB with the racetracks rather than trying to compete for the same money. In every state with the exception of NY the OTBs are run by the tracks, while not an easy concept in NY it is the best method.

New Business

None.

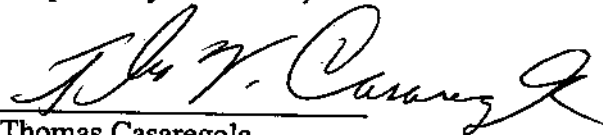
Schedule Next Meeting

The next meeting is tentatively planned to be held towards the end of September somewhere downstate. Time and place to be announced.

Adjournment

The meeting was adjourned at approximately 1:41pm.

Respectfully Submitted,



Thomas Casaregola
Secretary to the Task Force