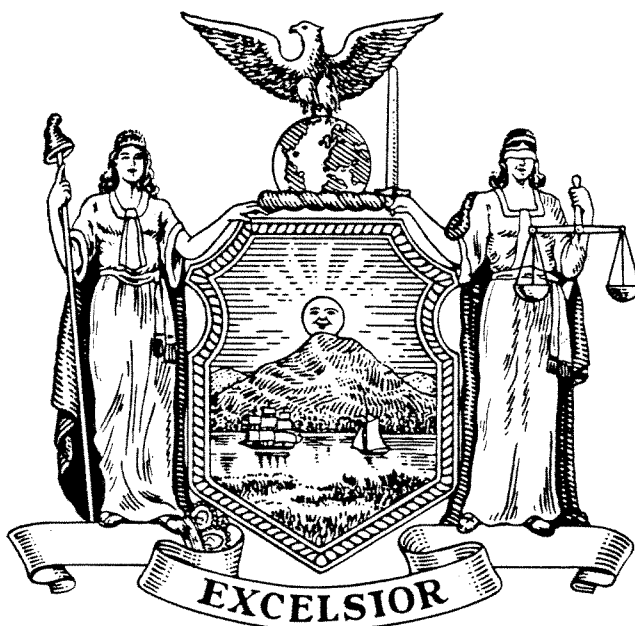


**STATE OF NEW YORK
SIMULCAST REPORT
FOR THE CALENDAR YEAR 1991
(ISSUED MARCH 31, 1992)**



**NEW YORK STATE
RACING & WAGERING BOARD**

MARIO M. CUOMO

Governor

RICHARD F. CORBISIERO, JR.

Chairman

BENNETT LIEBMAN

Member

JOSEPH P. NEGLIA

Member



STATE OF NEW YORK
NEW YORK STATE RACING AND WAGERING BOARD

400 Broome Street
New York, N. Y. 10013
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MEMBERS

Richard F. Corbisiero, Jr.
Chairman

Bennett Liebman
Joseph P. Neglia

March 31, 1992

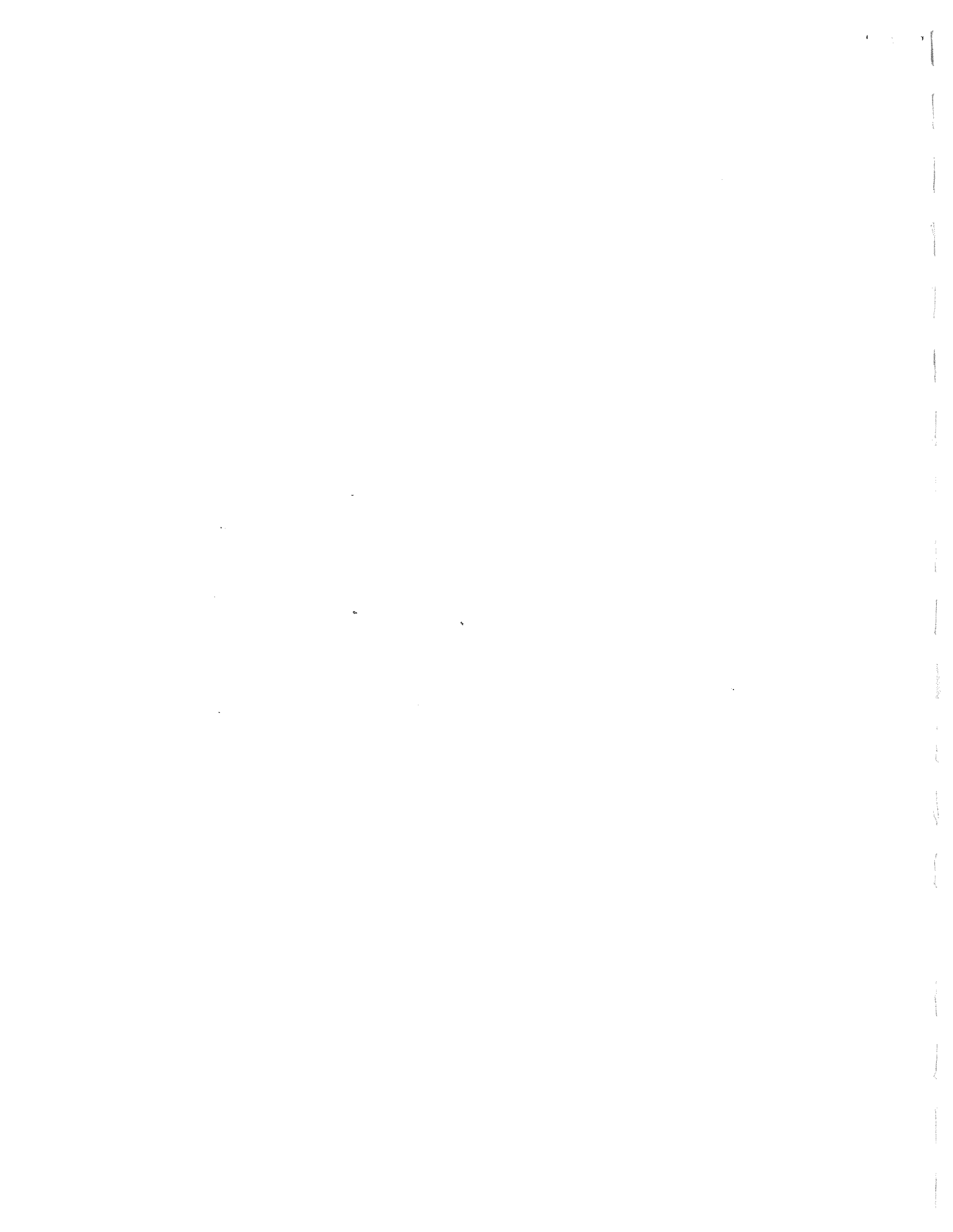
TO: The Director of the Budget
The Chairman of the Senate Finance Committee
The Chairman of the Assembly Ways and Means Committee

In accordance with the provisions of Section 1002(2) of the Racing, Pari-Mutuel Wagering and Breeding Law, I am pleased to submit to you the eighth annual Simulcast Report of the Racing and Wagering Board.

During 1991, New York State continued to lead the nation in total dollars wagered on horse races. Combined handle, both on and off-track, totalled over \$3.2 billion. Limited "simulcasting" (betting on live televised horse races), permanently authorized by Chapter 346 of the Laws of 1990, is an integral part of the state's racing and wagering scheme. Simulcast activities during 1991 and their results are described in this report.

The racing and wagering industry continues to be an important component of the Empire State's economy. It generates revenue for state and local governments and employs tens of thousands of New Yorkers. The Board believes that 1991's 4.7% decrease in handle levels from 1990, while partly attributable to the recession, was also caused by opportunities missed because of significant differences among its various components.

The acrimony which characterizes many of the relationships within the racing and wagering community inhibits its potential growth. The Board devotes considerable time and effort to mediate these disputes. While the revised legislative framework has somewhat ameliorated this situation, much improvement could be made. The Board strongly believes that there must be a cooperative partnership among all elements of the industry if New York is to maintain its preeminence in the racing world.

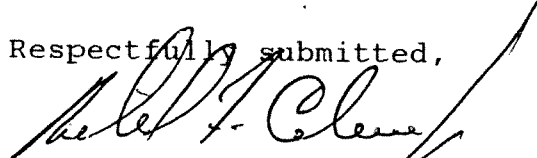


In this report, the Board recommends that some modifications to the simulcast law be enacted, while giving the Board the necessary authority to insure its proper and lawful conduct. As we enter the last decade of this century, the New York State racing, wagering and breeding industries must be directed to move towards the goals of enhancing the economy of and interest in racing, insuring the public's confidence in the sport, and achieving true industry-wide cooperation.

In addition, pursuant to the provisions of Chapter 360 of the Laws of 1991, the Board respectfully submits herein the reports concerning licensed thoroughbred and harness race tracks prescribed by Sections 228(2) and 318(1), paragraph a(iii) and b(i) of the Racing, Pari-Mutuel Wagering and Breeding Law.

The Board's staff, particularly Steven H. Richman, Eileen M. Clarke-Brady, Arthur Schechter and John M. Dailey, are commended for their efforts in the preparation of this report.

Respectfully submitted,



Richard F. Corbisiero, Jr.
Chairman

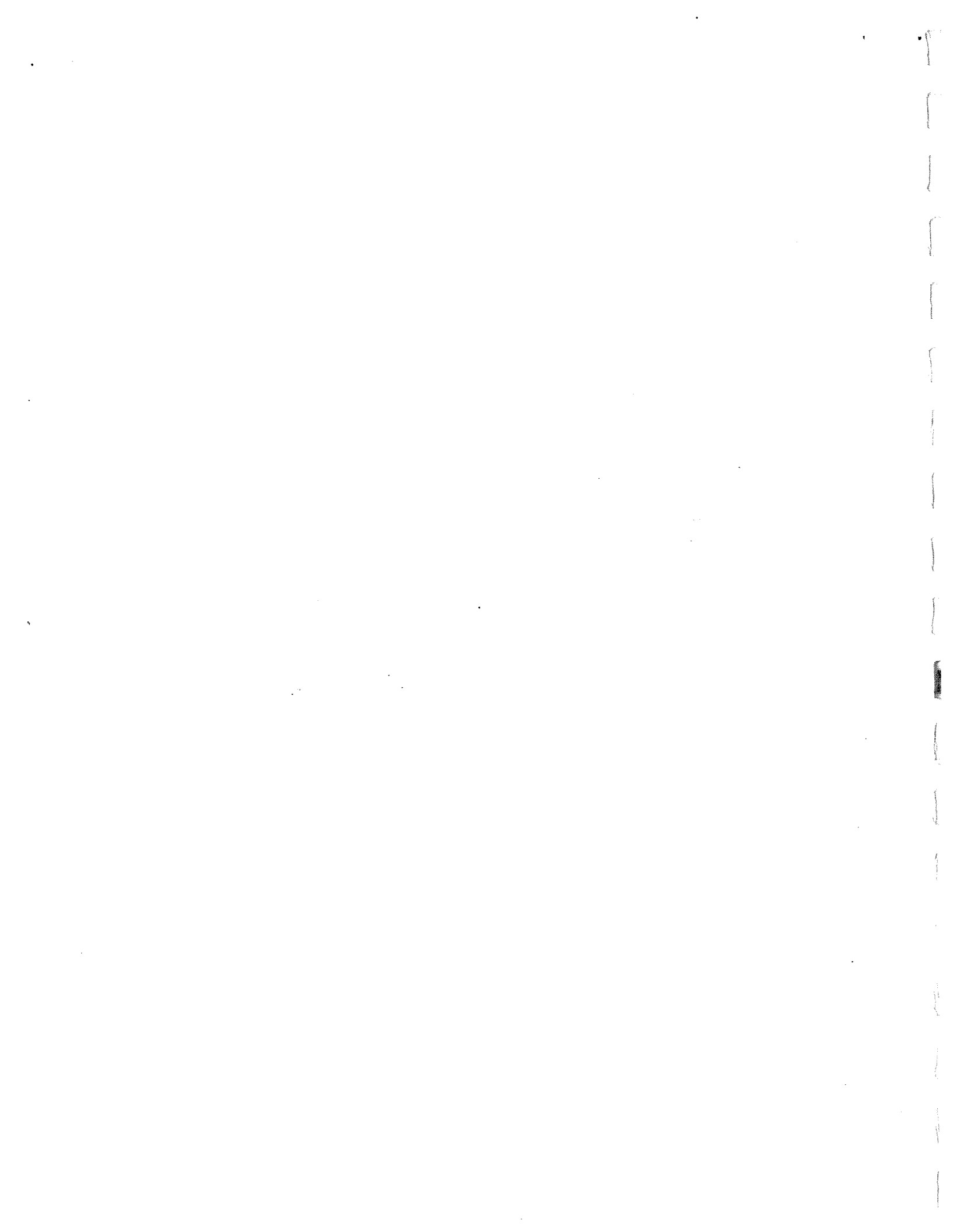
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EDITOR'S NOTE

The New York State Racing and Wagering Board's 1991 Simulcast Report is somewhat different than its prior editions. First, pursuant to Chapter 360 of the Laws of 1991, this report combines our traditional simulcast report with the annual report on the utilization of retained commissions and tax credits by licensed race tracks in New York State.

In recognition of the permanent status of in-state simulcasting, as well as the precarious financial condition of the State, we have streamlined this report. We have eliminated the summary of significant developments during the experimental period (1984-1990). In addition, we have edited the comprehensive narrative describing the statutory framework for the conduct of simulcasting, including Chapter 346 of the Laws of 1990, which permanently authorized simulcasting.

This report details the significant activities, accomplishments and problems encountered by each participant in simulcasting during 1991. The report also explains Board procedures used to implement the statute, as well as techniques used to interface wagers and transmit simulcast signals. We end with our recommendations for statutory changes and our conclusion. The appendices provide detailed schedules relating to wagering and simulcasting in New York, as well as the financial condition of the State's race tracks and OTB corporations.

We join the Chairman and the Members of the Board in commending the extraordinary work of the 1991 Simulcast Report staff. Especially in these difficult times, their dedication to this effort and serving the people of the Empire State, are in the best tradition of public service.

UTILIZATION OF RETAINED COMMISSIONS AND TAX CREDITS
BY LICENSED THOROUGHBRED AND HARNESS TRACKS

Sections 228(2) and 318(1) of the Racing, Pari-Mutuel Wagering and Breeding Law (Racing Law), direct the Board to report on six licensed harness race tracks and Finger Lakes Racing Association the one thoroughbred track licensee, (NYRA being a franchisee), as follows:

"The racing and wagering board shall report annually, on or before March thirty first, to the director of the budget, the chairman of the senate finance committee and the chairman of the assembly ways and means committee the extent to which such corporation or association utilized such retained percentages and breakage for operations, maintenance, capital improvements, advertising and promotion, administration and general overhead, and evaluate the effectiveness and make recommendations with respect to the application of the reduced rates of taxation as provided for in subparagraph (i) of this paragraph in accomplishing the objectives stated therein. (Ed. note: The "reduced rates" refer to the rates amended by Chapter 261, Laws of 1988.) Such report shall also specify the amount of such retained percentages and breakage used for investments not directly related to racing activities and such amounts used to declare dividends or other profit distributions, additions to capital stock, its sale and transfer and additions to retained earnings. Such report shall also include an analysis of any such agreements or proposals to conduct or otherwise expand wagers authorized under article ten of this chapter and present its conclusions with respect to the conduct of such wagering, the nature of such proposals and agreements, and recommendations to ensure the future maintenance of the intent of this article and article ten of this chapter."

Because of the short time interval from the end of the calendar year to the due date for this report, it is not possible to compile audited financial data. In order to comply with the reporting requirements set forth in Sections 228(2) and 318(1) of the law, the Board notified all harness tracks and Finger Lakes Race Track (the beneficiaries of tax reductions and credits enacted in 1988) of the explicit legislative mandate. By directive we instructed them to compile and forward the required data. In addition, because off-track betting simulcasting is an integral part of the information to be furnished, we similarly directed the State's six regional off-track betting corporations to furnish relevant data.

While the Board attempted to have all the reports prepared in a uniform format, this was not possible, since many of the affected entities have different accounting systems and statistical compilations. In addition, the reporting techniques are not consistent in all cases. Therefore, only minimal analysis by the Board has been possible, permitting only preliminary observations in limited areas.

We have prepared separate track by track comparisons of the financial data for six years. This information is contained in the Appendix of this report. The information was compiled from audited reports except for 1991, which is from preliminary unaudited data and is subject to change after audited financial statements are submitted by the race tracks.

It should be noted that the tax reductions applicable to the respective race tracks were effective April 1, 1989. In addition, these reductions basically only repeat, with conditions, the reduced rates which had been in effect from July 1, 1985 through June 30, 1987. For the period July 1, 1987 through March 31, 1988, rates reverted to the higher levels in effect prior to July 1, 1985. Legislation to extend the reduced rates, without conditions, failed to be approved in 1987.

One of the main interests of the Legislature is the extent to which simulcasting of New York races into off-track facilities has increased as a result of the credits provided by tax relief legislation. Hereinafter, in the main simulcast report, we have provided a comprehensive description of simulcasting throughout this State during 1991. The Board concludes that simulcasting is a key stabilizing factor for handle levels within New York State.

Statistical Results

For 1991, combined on and off-track handle of \$3.2 billion represents a 4.7% decrease from 1990. Total on-track handle decreased 9.1% (\$116 million). Off-track handle decreased \$104 million, 5.4% from the 1990 statewide total.

The on-track decline was experienced at all tracks except Finger Lakes, which increased \$2.2 million or 5.1% more than 1990. NYRA's own on-track handle decreased \$78.3 million, a 9% decline. The total decrease for the harness tracks was \$40.4 million, which was 11.3% of 1990 total handle.

The tracks' statewide attendance, including track to track simulcasts, decreased by 407,000 to 7,362,000 compared to 7,769,000 in 1990, which represents a decline of 5.3%.

The off-track handle total of \$1.8 billion for 1991 reflects a \$104 million decline from 1990, which is 5.4% lower. Both the thoroughbred and harness off-track handles suffered declines.

Track to track handle on NYRA's races increased by \$56 million in 1991. Most of this increase was due to the restoration of simulcasting to Yonkers for the full year. The simulcast handle at Yonkers increased \$46 million or 81.5% over 1990. NYRA simulcasts to other tracks increased by \$10 million or 14.6% over 1990. Actually, the simulcasts to Batavia, Buffalo, Monticello and Vernon increased their combined handle a total of \$11.2 million, because of an increase in the number of simulcast days. Simulcast handle for Saratoga harness and Finger Lakes actually decreased by \$2.4 million. In addition, the extra week of simulcasting from the Saratoga thoroughbred track to Aqueduct in 1991 increased handle by \$1.1 million over the combined 1990 Saratoga to Aqueduct and discontinued Belmont to Aqueduct simulcasts.

The simulcast of Finger Lakes races to Batavia and Buffalo yielded \$3 million in handle in 1991, compared to \$119,500 for 1990 when simulcasting started near the close of that year. Saratoga harness handled \$203,000 on Finger Lakes races on eight NYRA dark days.

Track to track simulcasts at Batavia and Buffalo on each other's races generated a total of \$7.6 million, compared to \$3.4 million for 1990.

Statutory Objectives of Reduced Tax

As previously stated, the statute requires the Board to evaluate the effectiveness of the reduced rates of taxation in stimulating the tracks to meet the objectives defined in 1985 and 1988. These objectives have been made conditions for continued receipt of the full amount of such relief.

Effective for 1989 and each subsequent year, the Board is required to certify to the Commissioner of Taxation and Finance, no later than eighty days after the close of each calendar year, whether each track (other than NYRA) has expended an amount equal to at least one-half of one percent of its prior year's on-track handle for "enhancements" as defined in Sections 228 and 318 of the Racing Law. "Enhancements" consist of: (1) capital improvements as defined by Sections 228-a or 319; (2) repairs to the physical plant, structures and equipment used in racing or wagering operations; and (3) up to five special events not

otherwise conducted in the ordinary course of business, for the purpose of encouraging, attracting and promoting new and continued track attendance. These events must be approved by the Board.

The Board has certified that all of the affected tracks did expend for enhancements during 1991 at least one-half of 1% of their respective on-track bets during 1991.

Three of the seven reporting tracks, Monticello, Vernon and Buffalo, reflect sizeable "losses from racing" for 1991 before including the capital improvement commissions. All the tracks, except Monticello, indicate profits with the capital improvement commissions. At the extremes, Finger Lakes' "profit" was derived almost fully from the \$835,300 in capital improvement commissions. In the case of Monticello, the \$360,600 in capital improvement commissions was not enough to overcome the \$984,600 loss from racing. In 1990, four tracks reflected sizeable losses from racing, and all tracks, except Vernon, showed profits with the capital improvement commissions.

Capital improvement commissions are restricted and are not available to cover operating expenses. Therefore, such revenues are shown separately in the schedules appended to this report. Furthermore, capital improvement revenues may be subject to income taxes. The tracks may net as little as 57% of capital improvement monies after taxes.

Yonkers, Saratoga, Buffalo, Batavia and Finger Lakes benefit substantially from the revenues from NYRA and other track to track simulcasts. They also benefit substantially from OTB contractual commissions for simulcasting.

As previously stated, the other components of the report, (i.e. tracks' expenditures for operations, maintenance, capital improvements, advertising and promotions, administration and general overhead) are set forth in the exhibits compiled by the Board's staff from the tracks' unaudited 1991 financial statements and their prior years' audited financial statements (going back to 1988).

INTRODUCTION

Nineteen hundred and ninety-one was the seventh full calendar year of comprehensive statewide simulcasting of horse races within New York State. It was the first full year under the permanent statutory authorization of simulcasting. "Simulcasting" is the display of live televised horse races on which pari-mutuel betting is permitted at a site other than the track where the race is held.

It was authorized by Governor Cuomo and the Legislature in July 1984, on a one-year experimental basis. The purpose of the 1984-85 experiment was to determine if simulcasting could promote the overall growth of the racing, pari-mutuel wagering and breeding industries, resulting in additional revenues for the support of racing associations and corporations, purses, breeders, off-track betting corporations, labor and state and local government. The one-year experimental scheme for simulcasting ran from July 1, 1984 to June 30, 1985, pursuant to Chapter 363 of the Laws of 1984.

After careful study and analysis of that experiment during 1985, including this Board's 1984 Simulcast Report and recommendations to the Governor and Legislature (dated March 27, 1985), the Legislature then passed and Governor Cuomo approved, Chapters 286 and 287 of the Laws of 1985. The 1985 laws amended the provisions of Article X of the Racing, Pari-Mutuel Wagering and Breeding Law and authorized comprehensive statewide simulcasting for five years through June 30, 1990.

Amendments relating to simulcasting were enacted during the 1986, 1988, and 1989 legislative sessions. These amendments expanded the type of services and amenities off-track betting corporations could offer in designated simulcast facilities, limiting the occasions when track consents are required for simulcasting, and expanded wagering and simulcasting opportunities on two major series of races, the Breeders' Cup (thoroughbred) and the Breeders' Crown (harness).

Throughout the first six months of 1990, extensive consultations and negotiations were held among the Executive Chamber, the leadership and staff of both houses of the Legislature as well as all segments of the industry. The process was designed to create a framework for extending the authorization of simulcasting as well as addressing other racing issues. After long and arduous discussions, an omnibus racing bill was considered by the Legislature in the last days of June. However, the legislation was not enacted before the prior experiment expired on June 30, 1990.

Therefore, on July 1, 1990, all simulcasting within New York State ceased. On July 1 and 2, 1990, the Legislature considered the omnibus bill. It was passed by the Legislature in the early morning hours of July 2, 1990 and signed into law by the Governor early that afternoon as Chapter 346 of the Laws of 1990. Immediately upon the Governor's signing, simulcasting resumed that day.

The revised statutory authorization (Chapter 346, Laws of 1990) was intended to provide for a more orderly implementation and expansion of simulcasting by establishing an arbitration mechanism for settling disputes. The broad-based legislation also included provisions for a more efficient workers' compensation plan for jockeys, financial restructuring of the New York Racing Association (NYRA), incentives and protection for the opening of Tioga Park, as well as other provisions to expand simulcasting for the benefit of the racing and breeding industry and State and local governments. Chapter 346 was designed specifically to remove statutory obstacles to growth and establish a framework to force race tracks and off-track betting corporations to work together and negotiate positions in good faith for the benefit of racing and government.

To accomplish this goal, "prior consent" provisions were removed from the law and replaced with a more positive "make available" approach. Under this scheme, if NYRA, for example, wants to simulcast its signal to Yonkers, it can do so only if the signal is also made available to all OTB corporations within the NYRA betting region (i.e. Catskill, New York City, Nassau and Suffolk). Yonkers can then only accept the signal if its signal is similarly made available to the OTBs. Once the signal is made available, and on display at the respective facilities, each track and OTB corporation negotiates appropriate price and location contracts. If an agreement cannot be reached, the legislation provides for binding arbitration, wherein an arbitrator makes a determination based on the "last best offer" made by the parties.

In order to augment each OTB corporation's ability to maintain and modernize its facilities, Chapter 346 authorized each OTB corporation to increase the surcharge on multiple and exotic bets by one percent, dedicated to capital financing purposes. The legislation also provided New York racing fans with additional wagering opportunities on races of special interest. All race tracks and OTB corporations can simulcast 12 special event thoroughbred races selected by the Board. In addition, as an incentive to encourage more participation and fan interest in harness racing, New York's harness tracks were exclusively authorized to simulcast up to five harness races of special interest with a provision for additional reciprocal simulcasting of New York and Canadian harness racing.

To facilitate New York's participation in nation-wide merging of pools, the legislation authorized the combination of wagering pools from New York with tracks in other states and foreign jurisdictions and vice versa, in order to effectuate a common payoff between sending and receiving tracks.

The statute also revised NYRA's authority to operate simulcast theaters by requiring that, within the New York City, Nassau, Suffolk and portions of the Catskill OTB Regions, a NYRA simulcast theater may be established without OTB's consent, if NYRA obtains the approval of the governing body of the particular locality. Also required is the approval of the chief executive and legislative body of the county.

The legislation authorized race tracks to operate telephone betting accounts with a minimum balances of \$500 (\$1,000 minimum at NYRA tracks). The New York City Off-Track Betting Corporation was authorized to waive the surcharge on all telephone accounts. In addition, all other OTB corporations were empowered to suspend the surcharge on telephone accounts with a minimum balance of \$500 at the time of the wager.

The 1991 legislative session saw only minor changes to the statutory framework. In addition to allowing the Board to combine this report with the tax credit report, the Legislature and the Governor approved simulcasting the Kentucky Derby, Preakness Stakes and the Breeders' Cup races to all pari-mutuel facilities. In addition, wagering on Finger Lakes' premier race, "The New York Derby", was allowed at OTB corporations throughout the State.

In January 1992, Governor Cuomo announced that together with the legislative leadership, they would establish a commission to examine the structure and functions of racing and wagering within the Empire State. In his statement, the Governor said:

"Few would argue that the horse-racing industry in New York is in decline...We are fast losing our reputation as the nation's premier thoroughbred racing State...The laws and rules governing horse-racing in this State create an environment in which the many elements of the racing industry compete with one another for an ever-diminishing slice of a shrinking pie. New York must consider changing these laws and rules to replace this unproductive competition with a system that encourages all elements of the industry to cooperate in enhancing the sport."

As of the date of this report, the membership at the Commission has not been announced.

In making the provisions of Article X permanent, the Legislature continued to find that the racing, breeding and pari-mutuel wagering industry is an important sector of the economy of this State, providing substantial revenues to state and local governments, and employing thousands of state residents. The Legislature determined that simulcasting has the potential for strengthening and furthering these economic contributions, and that it is in the best interest of the State to continue to encourage simulcasting.

The Legislature continued general supervisory and regulatory jurisdiction for all simulcasting in the New York State Racing and Wagering Board (Board) in accordance with basic guidelines established by the Legislature in Article X. In exercising its regulatory authority, the Board was directed (by the Legislature) not to authorize any simulcasts which would jeopardize present racing or employment opportunities or which would infringe on the current operations or markets of the race tracks and the regional off-track betting corporations which generate significant revenues for local governments in the State.

Section 1002(2) of the Racing, Pari-Mutuel Wagering and Breeding Law (hereinafter Racing Law) requires the Board to submit annually a report on March thirty-first following each year in which simulcasting is conducted, to the Director of the Budget, and the Chairs of the Senate Finance Committee and the Assembly Ways and Means Committee. This report on simulcasting is to evaluate its compatibility with the well-being of the horse racing, breeding and pari-mutuel wagering industries in the State, and the Board is to make any recommendations deemed appropriate. It may also include the Board's annual report on the utilization of certain tax credits by the State's harness tracks and Finger Lakes Race Track. In accordance with the statutory mandate, the Board respectfully submits this, its eighth report, for the year ending December 31, 1991.

DEFINITIONS

In order to better understand this report on simulcasting, several specialized technical terms must be defined.

A SIMULCAST is the display of live audio and visual signals of thoroughbred, harness or quarterhorse races conducted at a track in the State for the purposes of pari-mutuel wagering at a site away from the track.

A SENDING TRACK is the race track holding the races from which simulcasts originate.

There are three types of SIMULCAST RECEIVING FACILITIES - an OTB SIMULCAST BRANCH (including an OTB telebranch and an OTB enhanced telebranch), a RECEIVING TRACK or a SIMULCAST THEATER (including demonstration projects).

An OTB branch is the ordinary operating component of an OTB corporation, which is authorized to accept wagers. When simulcasting is permitted, it is then licensed as an OTB SIMULCAST BRANCH. This type of facility only offers the audiovisual signal of the races.

During 1985, a special type of OTB branch was developed, called a TELEBRANCH. A telebranch is a licensed OTB branch with additional amenities for patrons, including larger screens, food and non-alcoholic beverage service.

Chapter 919 of the Laws of 1986 as amended by Chapter 467 of the Laws of 1989 created a third category of OTB branches which offers simulcasting. The Board has classified this category as an ENHANCED TELEBRANCH. An enhanced telebranch has all the amenities of a telebranch. In addition, an enhanced telebranch serves alcoholic beverages with the approval of the Board and issuance of appropriate licenses by the New York State Liquor Authority. The statute authorizes 15 enhanced telebranches in New York City and no more than three (3) such facilities per county for all other regions. The statute sets forth the minimum seating requirements in a restaurant setting for this new type of facility and authorizes the use of credit cards for the purchase of food and beverages. In such telebranches and enhanced telebranches, OTB corporations have the option to charge an admission fee. Such fee is subject to the approval of the Board, and subject to state and local admission taxes.

A RECEIVING TRACK is a licensed pari-mutuel race track where simulcasts, which originate from another licensed pari-mutuel track, are displayed.

A SIMULCAST THEATER is defined as a public entertainment and wagering facility. It has such amenities as a large projection screen, a display system for odds, pools, and payout prices, areas for viewing and seating, food, alcoholic and non-alcoholic beverage service. An admission fee is charged, and winning wagers on simulcast races are not subject to the OTB surcharge.

In the July 1985 legislation, special types of simulcast theaters called SPECIAL DEMONSTRATION PROJECTS were created for purposes of stimulating economic development, employment opportunities and state and local revenues. These special demonstration projects were authorized only in privately owned hotels in Sullivan and Ulster Counties for the exclusive use of guests of the hotel. Hotels in Greene County were made eligible by a 1986 statutory amendment. Additionally, one such special demonstration project was authorized within the City of New York. These facilities were authorized to be operated (a) by an OTB corporation or (b) jointly by an OTB corporation and a track. In either case, an outside or third party may participate in the operation of these facilities. Only one such facility, in Greene County, is in operation.

Simulcasting uses the existing PARI-MUTUEL SYSTEM of betting (the only legalized form within the State of New York). In that system, all monies bet on a given race go into a pool. Odds on each horse or combination of horses are based upon the amount of money bet on each horse or combination in relation to the amount of the pool. Neither the track at which the races are run nor OTB contributes any funds to the pool from which winning bets are paid.

CANNIBALIZATION is the reallocation of bettors and their dollars to a simulcast facility from nearby OTB branches which do not have simulcasting. Again, simply put, simulcast branches tend to draw customers from non-simulcast branches.

The July 1985 amendments to the simulcast statute provided that compensation for simulcasting was a matter to be agreed upon by the tracks and the OTB corporations.

However, a new formula defining simulcast handle was written. The new definition does not apply to compensation to be paid by an OTB corporation for simulcasting. It serves as the basis for computing tax credits now granted by the State to the tracks (except the New York Racing Association) as an incentive to encourage the tracks to simulcast their races to OTB branches. For this purpose, SIMULCAST HANDLE is defined as the entire handle of an OTB simulcast branch on the races of the track being simulcast.

APPLICATION PROCESS AND GUIDELINES

In authorizing intra-state simulcasting, the Legislature mandated that each track or off-track betting corporation must apply for an annual license to operate a simulcast facility. Such a facility may be a race track, an OTB branch or a simulcast theater.

Applications for annual licenses shall be in such form as may be prescribed by the Board and contain such information, material or other evidence the Board may require. The Board has established an annual licensing cycle of July 1 through June 30 of the following year. This sequence tracks the sunset provisions of both the experiment's statutory authority, as well as certain provisions of the permanent authorization. In addition, the Legislature prescribed a \$500 per year license fee for each simulcast facility to be paid by the licensee.

The application itself must contain a SIMULCAST PLAN OF OPERATION which is subject to the review and approval of the Board. Section 1003(2) of the Racing Law specifies the contents of such plan.

Each applicant must also submit a feasibility study projecting the estimated revenues and costs to operate a simulcast facility. To be included in the study is the following information:

1. the number of simulcast races to be displayed;
2. the types of wagering to be offered;
3. the level of attendance expected and the area from which such attendance will be drawn;
4. the level of anticipated wagering activity;
5. the source and amount of revenues expected from other than pari-mutuel wagering;
6. the costs of operating the simulcast facility and the identification of costs to be amortized and the method of amortization of such costs;
7. the amount and source of revenues needed for financing the simulcast facility; and
8. the probable impact of the proposed operation on revenues to local government.

In addition to the feasibility study, the Simulcast Plan of Operation details the security measures to be used to protect the facility, control crowds, safeguard the transmission of simulcast signals and accomplish the transmission of wagering data to effectuate common wagering pools. Information on the type of data processing, communication and transmission equipment to be utilized must also be provided. The applicant is required to describe the management groups responsible for the operation of the simulcast facility and the system of accounts employed to maintain a separate record of revenues collected by the simulcast facility, the distribution of such revenues and the accounting costs relative to the simulcast operation. The Simulcast Plan of Operation also specifies the location of each facility and includes written confirmation from the appropriate local authorities that the location of the simulcast facility and the number of patrons expected to occupy such facility are in compliance with all applicable local ordinances.

The final requirement of Section 1003 states that an applicant must submit the written agreements or letters of consent by those parties specified in Sections 1007, 1008 and 1009 of the Racing Law (including as the case may be, race tracks, off-track betting corporations and/or local governments).

Chapter 346 of the Laws of 1990 added a new Section 1013, which provides for binding arbitration whenever a written agreement is required from a sending track in simulcast districts one or two, and such agreement has been unreasonably refused, declined or denied. This new legislative procedure, which expires on July 15, 1992 has not yet been invoked.

In addition, Section 1010 mandates that the Simulcast Plan of Operation shall include provision for job security for race track and OTB corporation employees within the simulcast district where the simulcast facility is located.

The Board has imposed additional requirements for licensing a simulcast facility. During the course of preparing for litigation, the Board was advised that it must insure compliance with the State Environmental Quality Act with respect to the determination of the environmental impact relating to a simulcast facility. The Board now requires the submission of an Environmental Assessment Statement in a prescribed format for each new simulcast facility.

In 1986, the Board began an intensive effort to insure that all off-track betting facilities (including simulcast facilities) were in compliance with the New York State Uniform Fire Prevention and Building Code. A similar effort

with respect to track facilities was also undertaken. With respect to race tracks, the appropriate local governments' code enforcement officer inspects the facility to insure compliance with the State's Uniform Code. Responsibility for the administration and enforcement of the Uniform Code at facilities operated by off-track betting corporations is that of the participating county and/or city.

The procedures adopted by the Board to effectuate these statutory guidelines recognized that the Governor and Legislature wished to encourage the broadest possible utilization of simulcasting. Basically, applicants are required to submit the principal elements of the Simulcast Plan of Operation and feasibility study to the Board, together with proof of agreement by all the necessary and required parties. Upon receipt of the above, the Board reviews a submission and makes a determination thereon. In several instances, temporary licenses have been issued contingent upon the receipt of further documentation. For the Board, "a meeting of the minds" between the essential players in this arrangement is critical in making a determination to authorize a specific simulcast operation. Of course, a speedy submission of the necessary written materials is always required.

SIMULCAST FACILITY LICENSING

In accordance with the provisions of Section 1002(1) of the Racing Law, the Board issued guidelines for applications for simulcast facility licenses. An annual licensing cycle of July 1 through June 30 of the following year was established to coincide with the statutory authorization concerning Article X.

With the effective date of the revised Article X in 1985, the Board required each applicant to apply for a new simulcast facility license for the year July 1, 1985 through June 30, 1986. Accordingly, renewal procedures were implemented for each licensing year beginning July 1, 1986. With the enactment of Chapter 346 of the Laws of 1990 on July 2nd, the cycle was reestablished for the year July 2, 1990 through June 30, 1991. July 1, 1991 commenced the 1991-92 licensing year. Under this procedure, 189 simulcast facility licenses were issued and a total of \$94,500 in fees was received and remitted to the State's general fund as of December 31, 1991.

A breakdown by applicant is set forth below:

1991 - 1992 LICENSING YEAR (JULY 1 - DECEMBER 31, 1991)

<u>APPLICANTS'</u>	<u>NUMBER OF</u>	<u>FEEES PAID</u>
	<u>LICENSES ISSUED</u>	
New York City OTB	47	\$23,500
Nassau OTB	13	6,500
Suffolk OTB	12	6,000
Catskill OTB	18	9,000
Capital OTB	47	23,500
Western OTB	44	22,000
New York Racing Assn.	1	500
Finger Lakes Race Track	1	500
Yonkers Raceway	1	500
Saratoga Raceway	1	500
Vernon Downs	1	500
Batavia Downs	1	500
Buffalo Raceway	1	500
Monticello Raceway	1	500
<u>TOTAL</u>	<u>189</u>	<u>\$94,500</u>

Five simulcast facility licenses had also been issued during the first half of 1991 for the prior licensing year, generating \$2,500 in fees.

Therefore, during calendar year 1991, a total of 194 simulcast facility licenses were issued, and fees totaling \$97,000 were received by the Board and paid to New York State's general fund, pursuant to Section 1003 of the Racing Law.

SIMULCASTING OPERATIONS BY OFF-TRACK BETTING CORPORATIONS
AND RACE TRACKS DURING 1991

During 1991, the seventh full year of the simulcast experiment, each of the State's race tracks (with the exception of Vernon Downs and the Syracuse Mile) made a simulcast signal of its races available to some or all of the State's six off-track betting corporations. Eight of the State's 11 race tracks also were receiving tracks for simulcast signals.

The simulcasting of NYRA races was continued by Yonkers (for 306 days), Saratoga Raceway (for 280 days), Finger Lakes (for 95 days), Vernon Downs (for 132 days), Monticello Raceway (for 310 days), Batavia Downs (for 262 days), Buffalo Raceway (for 254 days), as well as Aqueduct's simulcasting of the 30-day Saratoga meet. Saratoga Raceway tried simulcasting of Finger Lakes races (on Tuesdays during the Saratoga Race Track meet for eight days). Batavia simulcast FLRT races (for 156 days) and Buffalo Raceway races (for 127 days). In addition, Buffalo Raceway simulcast FLRT races (for 170 days) and Batavia Down's races (for 124 days). Vernon Downs continued its day-night simulcasting with Yonkers' races (for 116 days), Buffalo's races (for 20 days) and Batavia's (for one day). FLRT also simulcast Buffalo's races (for four days).

Simulcasting of in-state races by all off-track betting corporations continued on races from NYRA, Finger Lakes, Monticello and Yonkers Raceways. Capital OTB continued to simulcast Saratoga Raceway races and simulcasting of Batavia Downs and Buffalo Raceway's harness races took place in the Capital and Western regions.

In 1991, the combined statewide on and off-track handle for all tracks fell by \$157 million (4.7%), compared to 1990. On-track thoroughbred handle declined by 8.3%, while on-track harness handle fell by over 11%. Total off-track handle fell by more than 5.4%. Total simulcast handle, however, continued to rise. During 1991, 40.5% of the State's total betting handle was wagered at simulcast facilities compared to 37% in 1990.

A total of 194 simulcast facility licenses were issued in 1991, nine more than in 1990. Eight were issued to race tracks (Aqueduct Race Track, Yonkers Raceway, Saratoga Raceway, Monticello Raceway, Batavia Downs, Buffalo Raceway, Vernon Downs and Finger Lakes Race Track), five to simulcast theaters (two in New York City, one each in Albany, Hauppauge and to a hotel, Friar Tuck Inn, in Catskill, New York) and 180 to off-track betting branches throughout the State. Collectively, these facilities conducted 886 simulcast operations.

The Racing Law establishes three distinct classifications of simulcast facilities. Total simulcast handle during 1991 in each class were: Track to Track, \$188 million (up 49% compared to 1990); OTB Branches, \$947 million (down 0.4%) and Simulcast Theaters, \$3.2 million (down 4.2%)

OTB simulcast handle on both NYRA and Yonkers races declined; 7.5% for NYRA and 6.8% for Yonkers. Finger Lakes, which continued to simulcast statewide on NYRA dark days (usually Tuesdays), and to all OTB regions outside New York City and Nassau County on other days, reported a 5.8% increase in simulcast handle in 1991. Batavia/Buffalo's combined simulcast handle declined by 0.3% in 1991, while Monticello's OTB simulcast handle decreased by over 65% (due to a substantial decrease in the number of simulcast programs). For the State's other harness track, Saratoga Raceway, OTB simulcast handle fell by 8.3% in 1991.

A detailed narrative of the simulcast operations and other significant activities at the State's race tracks and off-track betting corporations during 1991 follows.

WESTERN REGIONAL OFF-TRACK BETTING CORPORATION

The Western Regional Off-Track Betting Corporation, located in western New York State, is comprised of 18 counties, 15 of which participate in the management of off-track betting. The two major cities in the Western area, Buffalo and Rochester, also participate as full members of OTB. In 1991, Western relocated three branches, two into buildings which they recently purchased and renovated and the other into a leased building which also was renovated. Western continued to operate 47 branches in 1991.

Western OTB conducted 269 simulcast operations at 45 branches during 1991 from the New York Racing Association (NYRA), Finger Lakes Race Track, Batavia Downs, Buffalo, Monticello and Yonkers Raceways.

Within its region, Western OTB contains a thoroughbred track, Finger Lakes Race Track, and two harness tracks, Buffalo Raceway and Batavia Downs.

In 1991, Western OTB handled \$138.8 million on thoroughbred races and \$46.7 million on harness races for a total of \$185.5 million; a decrease of \$14.3 million or 7.2% as compared to 1990. This total accounts for 10.2% of all New York State OTB handle in 1991. Western ranks fourth in the State in terms of total betting handle. Based on its total \$185.5 million handle for 1991 (as compared to \$199.8

million in 1990), Western generated the following:

	<u>1991</u>	<u>1990</u>
Statutory Payments:		
N.Y. State	\$2,828,527	\$2,974,466
Breeders' Fund	1,162,714	1,260,857
Tracks (incl. contractual)	12,190,476	13,129,677
Total Operating Expenses	19,406,044	19,359,863
Percentage of Handle	10.5%	9.7%
Net Earnings to Own Localities*	843,039	1,643,992
Percentage of Handle	0.5%	0.8%
Surcharge:		
To Own Localities	4,052,574	4,333,915
To Localities Outside Region	3,408,169	3,744,565

*Western's net earnings to localities were reduced by \$2,460,000 in 1990 and \$1,724,000 in 1991 and allocated to its Capital Acquisition Fund and debt service on bonds issued prior to July of 1989.

In 1991, Western received simulcasts in 45 of 47 branches or 95.7% of its branches. Of its total handle in 1991, \$164.4 million or 88.6% was wagered on simulcast races.

Western's 1991 handle for NYRA was \$84 million, a decrease of \$9.8 million or 10.4% compared to 1990. Simulcast locations, of which 45 were operational for varying numbers of days during the year, accounted for \$78.9 million or 94% of total NYRA sales, a decrease of \$9.4 million or 10.6% as compared to 1990. The daily average handle for the simulcast locations was \$6,804 per branch compared to \$7,617 in 1990.

Western's 1991 handle for Finger Lakes Race Track was \$48 million, a decrease of \$1.1 million or 2.3% as compared to 1990. Simulcast locations, of which 45 were operational for varying numbers of days during the year, accounted for \$44.6 million or 93% of the total Finger Lakes sales, a decrease of \$925,000 or 2% as compared to 1990. The daily average handle for the simulcast locations was \$5,981 per branch, compared to \$6,463 in 1990.

Western's 1991 handle for Buffalo Raceway was \$18.6 million, a decrease of \$2.4 million or 11.5% as compared to 1990. Simulcast locations, of which 45 were operational for varying numbers of days during the year, accounted for \$16.1 million or 86.5% of the total Buffalo Raceway sales, a decrease of \$1.7 million or 9.5% as compared to 1990. The daily average handle for the simulcast locations was \$5,068 per branch compared to \$6,025 in 1990.

Western's 1991 handle for Batavia Downs was \$19.2 million, a decrease of \$2.8 million or 12.7% as compared to 1990. Simulcast locations, of which 44 were operational for varying numbers of days during the year, accounted for \$16 million or 83.7% of the total Batavia Downs sales, a decrease of \$2.5 million or 13.6% as compared to 1990. The daily average handle for the simulcast locations was \$4,952 per branch compared to \$5,251 in 1990.

Yonkers Raceway conducted both afternoon and evening programs during various periods in 1991. Western OTB'S 1991 handle for Yonkers Raceway was \$7.3 million, a decrease of \$285,000 or 4% as compared to 1990. Simulcast locations, of which 45 were operational for varying numbers of days during the year, accounted for \$6.8 million or 93.5% of total Yonkers sales, a decrease of \$51,000 or 0.7% as compared to 1990. The daily average handle for the simulcast locations was \$1,964 as compared to \$2,131 in 1990.

Western's 1991 handle for Monticello Raceway was \$463,000, a decrease of \$75,000 or 13.9% as compared to 1990. Simulcast locations, of which 45 were operational for varying numbers of days during the year, accounted for \$285,000 or 61.7% of total Monticello Raceway sales, a decrease of \$123,000 or 30% as compared to 1990. This large decrease may be due in part to the failure of Monticello to draw interest for its experimental Saturday morning racing (post time 10:00 a.m.) or its Tuesday matinee opposite Finger Lakes Race Track. The daily average handle for the simulcast locations was \$707 as compared to \$1,700 in 1990. This dramatic decrease was caused by the decline in simulcast handle, while the total number of dates increased by 68.3%.

Western OTB also accepted wagers on various out-of-state race tracks. The Racing Law authorized OTB corporations to accept wagers on out-of-state thoroughbred race tracks, when the non-profit racing association (NYRA) is not conducting racing. In addition, the Board may designate up to 15 thoroughbred and five harness races run outside an OTB region as races of special interest on which OTB may accept wagers. During 1991, Western OTB accepted wagers on eight out-of-state tracks on NYRA dark days. Total handle for these dark day tracks was \$4 million. This compares to three out-of-state tracks with a total handle of \$2.7 million in 1990, an increase of \$1.3 million or 48.1%. Wagering was also conducted on 15 thoroughbred races of special interest and four harness race of special interest. The two series of races known as the Breeders' Cup (thoroughbred) and the Breeders' Crown (harness) were each designated by law as one race of special interest. Western OTB's handle totaled \$3 million for the 19 special events, an increase of \$900,000 or 42.9% over 1990. This large increase was due in part to the Breeders' Cup being an out-

of-state race of special interest. All out-of-state wagering amounted to \$7 million for Western OTB, an increase of \$2.2 million or 45.8% over 1990.

During 1990, Batavia Downs and Buffalo Raceway began track to track simulcasting of their respective meets. Western conducted a study which indicated that branches near the intertrack sites were adversely impacted. During 1991, both tracks expanded their simulcasting to include Finger Lakes Race Track and NYRA throughout the year, regardless of whether their own track was dark. This was a contributing factor in Western's drop in handle in 1991. In addition, the State of Pennsylvania, which began operating an off-track betting system in 1991, opened a simulcast theater called "The Downs at Erie". This caused a dramatic drop in handle at Western's Ripley branch, located on the Pennsylvania border. The Ripley branch saw a drop in handle of approximately 50% or over \$28,000 per week to \$29,367. The Erie simulcast theater's daily average handle was in excess of \$49,000.

Western paid NYRA \$2 million in statutory payments, based on simulcast handle and \$976,000 in simulcast contractual payments. The contract with the New York Racing Association expired on July 13, 1991. This agreement called for Western to pay NYRA 1.25% of the daily net handle generated by all wagers at all simulcast branches. NYRA paid for the uplink. On July 15, 1991, Western signed a new contract with NYRA which extends through July 13, 1993. The terms are the same as the previous contract.

Finger Lakes was paid \$2.3 million in statutory payments, based on simulcast handle and \$500,000 as a simulcast contractual payment. On April 12, 1989, Western signed an agreement with Finger Lakes which ran through December 31, 1991. Under the terms of this agreement, Western paid Finger Lakes an annual simulcast commission of \$500,000 or an amount equal to 1% of the simulcast handle, whichever was greater for each of the years 1989, 1990 and 1991. The payment was predicated on a standard racing schedule comparable to the 1988 racing schedule of 170-172 days. Finger Lakes paid for the uplink. To date, no contract for the 1992 meet has been signed.

Buffalo Raceway was paid \$816,000 in statutory payments, based on simulcast handle and \$323,000 in simulcast contractual payments. On July 14, 1989, Western and Buffalo Raceway entered into a contract for the years 1989, 1990, 1991 and continuing through the 1992 winter meet ending February 23. Under the terms of the agreement, Western paid Buffalo Raceway 2% of the net simulcast handle. For any meet in which the payment did not equal or exceed 1.5% of total net handle, Western agrees that an additional payment would be made to Buffalo Raceway to bring total

payment to an amount equal to 1.5% of total net handle for the year. Buffalo Raceway paid for the uplink.

Batavia Downs was paid \$818,000 in statutory payments, based on simulcast handle and \$199,000 in simulcast contractual payments. Western and Batavia Downs signed a contract on February 26, 1991 which extended through November 30, 1991. Under terms of the contract, Western agreed to pay Batavia Downs 1.5% of simulcast handle for all simulcast races with a first race post after 5:30 p.m., and 1.75% of simulcast handle for all matinee programs per day. Simulcast handle was defined as the total wagers made that day on Batavia Downs' races at Western's branches simulcasting Batavia and placed one-half hour prior to the first race through the last race. Batavia Downs paid for the uplink.

On February 12, 1992, Western signed a new simulcast contract with Batavia Downs, extending through April 18, 1992. The terms and conditions are basically the same as the previous contract. However, simulcast handle will now be defined as the total wagers made that day on Batavia races placed one hour prior to post time.

Yonkers was paid \$147,000 in statutory payments, based on simulcast handle and \$34,000 in simulcast contractual payments. Western's simulcast contract with Yonkers is open-ended. Western can accept Yonkers simulcasts whenever permitted by law. Under the terms of the contract, Western pays Yonkers 0.5% of net wagers generated at simulcast branches on the first \$100,000 and 1% on anything over \$100,000.

Monticello Raceway was paid \$6,500 in statutory payments based on simulcast handle and no simulcast contractual payments. There is no written contract with Monticello Raceway. Monticello pays for the uplink.

Wagering at Western OTB has produced significant payments both to in-region and out-of-region municipalities. Surcharge generated by wagering on NYRA was \$3.6 million; Finger Lakes, \$2 million; Batavia, \$780,000; Buffalo, \$763,000; Yonkers, \$303,000 and Monticello, \$18,000.

A 1985 amendment to Section 532 of the Racing Law provided that, where a track located in a thoroughbred special betting district simulcasts outside such special betting district, the 50% share of the surcharge allocated to the county in which such track is located shall be allocated 90% to the OTB Corporation and 10% to the county. Under this statute Western received \$343,000 in revenue in 1991.

For the signal from Yonkers Raceway, Western paid a total of \$148,000 to a simulcast vendor. The cost of the signals from Finger Lakes Race Track, NYRA, Batavia Downs, Buffalo and Monticello Raceways was included in the contractual payments made to the tracks by Western OTB.

Western has continued to expand the installation of vending machines into its branches. The machines dispense hot and cold beverages, candy, snacks and pastries. These amenities, which are allowed only in simulcast branches, have now been installed in a total of 35 branches, an increase of four over 1990. The total sales from the vending machines in 1991 were \$340,000, an increase of \$6,600 or 1.6% over 1990. This generated commissions of \$57,000 for Western, an increase of \$1,300 or 1.8% over 1990. Since the vending company assumes all installation expenses, there is no cost to Western for the operation of the machines. Western eventually hopes to have vending machines in all simulcast branches where feasible. In addition, Western earned \$272,000 in lottery commissions.

Beginning in May 1991, Western began the installation of Player Activated Terminals (PATs) in its branches. By the end of 1991, Western had 48 PATs operating in 21 branches. Total handle for these PATs was \$2,950,000.

Effective April 3, 1991, Western began offering surcharge-free wagering to its telephone betting account customers who agreed to maintain at least \$500 in their account at the time of the wager, in accordance with the provisions of Section 1012 of the Racing Law. During 1991, Western customers had opened 81 surcharge-free accounts. Fifty-nine remained open at year's end. Total handle for these accounts was \$1.5 million. Telephone betting increased overall \$1.2 million or 35.2% over 1990. The surcharge-free accounts provided one of the few areas of handle growth for Western in 1991.

In conjunction with the surcharge-free telephone betting accounts, Western opened a VIP Tele-A-Bet Center in space currently available in its Military Road, Niagara Falls branch. This facility, which opened in February 1992 offers complimentary Racing Form, programs, coffee, multiple forms of racing information, telephones, televisions and limited food service. Entry into the facility will be limited to patrons who have surcharge-free accounts. The Board has ordered Western to provide weekly reports on handle and attendance figures. Permanent approval for this facility and any future facilities of this kind depends on the results of this experiment.

Western ran several promotions in 1991. Among the most successful were handicapping contests held in conjunction with Finger Lakes Race Track and Buffalo Raceway.

In addition, Western held weekly "second chance" drawings in which customers use their losing race tickets as entries in a contest for a \$15 gift certificate. This was designed to create an interest in an individual branch and to help keep branch floors clean.

Drawings were held for free trips to each of the Triple Crown events. In addition, drawings for gift certificates were held to encourage use of the new Player Activated Terminals.

During 1990, Western continued its policy of acquiring branches through a combination of purchasing existing facilities or constructing new facilities on its own land. Western believes that ownership, rather than leasing, results in lower operating costs and a greater degree of stability in branch operations.

In 1991, Western renovated and set up branch operations in two buildings which it purchased in 1990: Pine Avenue, Niagara Falls and Mohawk Street, Buffalo. In addition, a branch in Oswego, which is in a leased building was also renovated. Plans are underway to renovate two buildings into modern branch facilities in 1992 (State Street, Rochester and Newark) and to construct two branches (at West Ridge Road and Broad Street in Rochester).

Western has been negotiating with the Buffalo Airport to open a branch in the terminal in early 1992. This innovative idea has never been tried before by any OTB Corporation. The Board has tentatively granted Western permission to conduct a one-year experiment. Approval for a permanent branch depends on the profitability of this experiment.

Western has acquired 20 properties through December of 1991 at a total cost of \$10.2 million including costs for land, buildings, renovations and improvements.

Western had used the sale of bond anticipation notes from 1987 through 1989 to finance construction. As of December 31, 1991, total corporate debt from the bonds and notes totaled \$1,455,500.

A new financing vehicle became available to Western in 1989. The New York State Legislature enacted legislation which allows all off-track betting corporations to establish a Capital Acquisition Fund to finance the acquisition, construction and equipping of facilities of the corporation. No contribution shall exceed the lesser of 1% of the corporation's quarterly net handle or 50% of the corporation's quarterly net revenues, exclusive of surcharge. The balance of the fund shall not exceed the lesser of 1% of total pari-mutuel wagering pools for the

previous 12 months or the undepreciated value of the corporation's offices, facilities and premises. During 1991, Western contributed a total of \$1,065,000 to the Fund and earned an additional \$19,000 in interest as a direct result of this legislation.

On July 2, 1990, the State Legislature mandated the imposition of a 1% supplemental surcharge on wagering pools of multiple, exotic and super-exotic wagers and provided that sums derived from the supplemental surcharge be distributed to the Capital Acquisition Fund. In 1991, Western earned \$1,122,000 from the supplemental surcharge and an additional \$46,000 in interest.

Western has accrued a total of \$2.3 million from both sources in 1991. Since inception, Western has accrued a total of \$5.2 million in the fund and expended \$3.3 million leaving \$1.9 million in the fund at year's end.

Western is currently pursuing the acquisition of a simulcast theater in Niagara Falls. A tentative agreement has been reached with Buffalo Raceway wherein Buffalo Raceway consents to such a simulcast theater. Western has begun to explore possible sites.

Western is pursuing the establishment of enhanced telebranches. Currently, an enhanced telebranch is under development in Newark. All permits have been obtained from the respective governmental bodies. Bids for construction work will be let in 1992.

On January 1, 1990, Board Rule 5204.16 went into effect. The rule requires every off-track betting facility to provide its patrons with restrooms unless good cause, satisfactory to the Board, can be shown.

Western currently has restrooms in 42 of its 47 branches and plans to have restrooms in one additional facility by the end of 1992. Western has asked the Board for a waiver of the rule for its remaining branches, citing a lack of space and impending lease expirations. Western's request is under review by the Board's staff.

During 1991, there were two armed robberies in Western's branches. Both robberies occurred in Rochester. On January 26, 1991, two men fled with \$23,000. One ticket machine operator suffered a dislocated shoulder when she resisted. On October 1, 1991, a perpetrator jumped over the security gate and threatened the manager with a pistol. The assailant fled with \$2,200. Nobody was injured. In addition, there were eight other minor break-ins or acts of vandalism during the year resulting in small amounts of damage.

Western is gradually attempting to upgrade its security systems in the branches. Currently, most branches have security systems in which the alarm rings on the outside of the branch only. However, four branches currently have alarm systems connected to a security company. Western plans to install these upgraded security systems in most new, relocated and renovated branches.

In 1985, Western executed a contract with Control Data Corporation (CDC) to provide tote services to its branches. This contract extended through December 31, 1992 with an option to extend it through December 31, 1994. On February 28, 1991, Western signed an amendment to the contract extending it through December 31, 1994. In consideration of Western granting the extension, they received a reduced rate schedule for the years 1991 through 1994. Total cost of the contract over the four years is estimated to be \$9.4 million with savings of more than \$1.4 million over the four-year period. In addition, there is a provision for a successor agreement beginning January 1, 1995 and extending through December 31, 2004. If Western signs this agreement prior to January 1, 1993, they will receive a further reduced rate schedule for the years 1991 through 1994. Rate adjustments are not retroactive. Both parties may, on or before September 1, 1994, mutually agree to extend the contract through 1995.

CAPITAL DISTRICT REGIONAL OFF-TRACK BETTING CORPORATION

Capital District Regional Off-Track Betting Corporation is located in the northeastern portion of New York State. The major cities located within Capital OTB are Albany, Schenectady, Troy and Utica. The region is comprised of 21 counties; 15 of these counties as well as the City of Schenectady participate in off-track betting. Capital OTB started 1991 with 52 branches and two simulcast theaters (one a special demonstration project in Greene County). In October 1991, Capital OTB opened a new branch in Fort Plain, Montgomery County and ended 1991 with 53 branches and two simulcast theaters.

Capital OTB conducted 286 simulcast operations. This was accomplished with 45 branches and two simulcast theaters, the same number as 1990 (at its highest point). Forty-five branches and two simulcast theaters displayed races from the New York Racing Association (NYRA), Finger Lakes Race Track, Batavia Downs, Buffalo and Yonkers Raceways. Four branches and the Albany simulcast theater displayed races from Saratoga Raceway. Forty-four branches and two simulcast theaters displayed races from Monticello Raceway.

Within its region, Capital OTB contains one thoroughbred track, Saratoga Race Track, a NYRA track, which operated only during a five-week period in July and August.

In 1991, Capital OTB continued to operate New York State's first simulcast theater in Albany. This simulcast theater displayed races from NYRA, Finger Lakes, Saratoga, Batavia, Buffalo, Monticello and Yonkers. In this simulcast theater, a bettor is able to view track odds, bet by number instead of by letter, and receive track prices, free of the OTB surcharge on simulcast races. This theater, which accommodates 930 customers, has all the amenities of a race track including food and alcoholic beverages.

In June 1990, Capital OTB opened a simulcast theater in a hotel in Greene County at the Friar Tuck Inn. This special demonstration project was authorized by 1985 legislation as amended in 1986. This facility is operated in the same manner as the other simulcast theaters in the State. Races from NYRA, Finger Lakes, Batavia, Buffalo, Monticello and Yonkers were displayed at the special demonstration project. The facility accommodates 150 customers and has all the amenities of a race track.

In 1991, Capital OTB handled \$183.3 million on thoroughbred races and \$43.1 million on harness races for a total handle of \$226.4 million, a decrease of \$8.4 million or 3.6% as compared to 1990. Capital OTB ranks second in the State in terms of total betting handle with 12.4% of the statewide handle. Based on its total \$226.4 million handle for 1991 (as compared to \$234.8 million in 1990), Capital generated the following:

	<u>1991</u>	<u>1990</u>
Statutory Payments:		
N.Y. State	\$ 3,466,372	\$ 3,504,188
Breeders' Fund	1,349,918	1,400,307
Tracks (incl. contractual)	13,405,554	13,698,924
Total Operating Expenses	27,604,383	28,204,421
Percentage of Handle	12.2%	12%
Net Earnings to Own Localities	247,971	526,716
Percentage of Handle	0.1%	0.2%
Surcharge:		
To Own Localities	4,336,712	4,532,876
To Localities Outside Region	3,374,366	3,602,197

Of Capital OTB's 1991 total handle, \$182.8 million or 80.8% was wagered on simulcast races. Capital OTB distributed \$7.7 million in surcharge revenue to various counties, pursuant to Section 532 of the Racing Law. Total revenue from all concession operations at Capital OTB in

1991 was \$651,000, of which \$41,000 resulted from the simulcast theater and \$476,000 resulted from the telebranch (including The Scoreboard). Capital also received \$575,000 in lottery commissions during 1991.

Capital OTB's 1991 handle for NYRA was \$147.9 million, a decrease of \$8.3 million or 5.3% as compared to 1990. Simulcast locations accounted for \$127.5 million or 86.2% of the total NYRA sales, a decrease of \$6.4 million or 4.8% as compared to 1990. The daily average handle for these simulcast locations was \$9,304 per branch as compared to \$9,725 in 1990. The handle in 1990 was inflated by approximately \$1 million due to the fact that the Breeders' Cup was held at Belmont Park, which transferred the handle from special events to NYRA.

Capital OTB distributed \$5.3 million in surcharge revenue from winning NYRA wagers. Statutory payments, based on simulcast handle, to NYRA in 1991 were \$3.4 million. Simulcast contractual payments in 1991 totaled \$1.1 million. Capital OTB's six-year contract calls for Capital to pay NYRA 2.75% of NYRA daily net handle at simulcast branches for the period of January 1, 1990 through December 31, 1992. From January 1, 1993 to December 31, 1995, the percentage will increase to 2.85%. Capital OTB pays 6.5% of NYRA daily net handle at the simulcast theaters through the end of the contract (December 31, 1995). Capital pays NYRA \$35,000 a year for the rights to broadcast the live call over commercial radio. NYRA has initiated a lawsuit in regard to Capital's dissemination of the live call to Nassau OTB via its cable television network (TV-12). This lawsuit is described in the Nassau OTB section.

It should be noted that, of Capital OTB's \$147.9 million NYRA handle, \$23.9 million was wagered during Saratoga Race Track's summer meet. This was an increase of \$4.2 million or 21.2% over 1990. Much of this increase is attributed to NYRA's decision to hold 30 days of racing at Saratoga as compared to 24 in the past. Simulcasting within the region accounted for \$20.3 million, or 84.8% of the total Saratoga thoroughbred wagers. The daily average handle for Capital OTB branches simulcasting Saratoga Race Track was \$15,305 per branch as compared to \$16,059 in 1990.

Capital OTB's 1991 handle for Saratoga Raceway was \$14.5 million, an increase of \$316,000 or 2.2% over 1990. Simulcast locations accounted for \$8 million or 55.2% of the total Saratoga sales, a decrease of \$714,000 or 8.2% as compared to 1990. The daily average handle for these simulcast locations was \$8,533 per branch as compared to \$10,608 in 1990.

Capital OTB distributed \$501,000 in surcharge revenue from winning Saratoga Raceway wagers. Statutory payments,

based on simulcast handle, to Saratoga Raceway in 1991 were \$354,000. Simulcast contractual payments totaled \$142,000 in 1991. The modified agreement with Saratoga Raceway, signed on July 12, 1991 has a term of five years from January 1, 1988 to December 31, 1992. The agreement calls for Capital to pay 1% of the cumulative excess of wagers placed at four simulcast branch and the simulcast theater on Saratoga Raceway programs during the respective year, over such wagers placed at such facilities during the calendar year 1988 (the base year). Capital shall also reimburse Saratoga Raceway an amount equal to \$400,000, as reimbursement for a portion of the stakes contributions (payable as purses for horsemen) paid by Saratoga for the annual Battle of Saratoga Stakes. This amount shall be paid in monthly installments of \$22,222 commencing on July 31, 1991.

Capital OTB's 1991 handle for Finger Lakes was \$27.3 million, an increase of \$40,000 or 0.1% as compared to 1990. Simulcast locations accounted for \$24.5 million or 90% of the total Finger Lakes sales, an increase of \$291,000 or 1.2% over 1990. The daily average handle for these simulcast locations was \$3,326 per branch as compared to \$3,416 in 1990.

Capital OTB distributed \$993,000 in surcharge revenue from winning Finger Lakes wagers. Of this, \$447,000 was included in Capital OTB's regular earnings under the Board's interpretation of Section 532(3)(b)(v) of the Racing Law. Statutory payments, based on simulcast handle, to Finger Lakes in 1991 were \$853,000. Simulcast contractual payments totaled \$297,000 in 1991 under an annual commission agreement with Finger Lakes.

Capital OTB's 1991 handle for Yonkers Raceway was \$19.5 million, a decrease of \$647,000 or 3.2% as compared to 1990. Simulcast locations accounted for \$17.2 million or 88.2% of the total Yonkers sales, a decrease of \$201,000 or 1.2% as compared to 1990. The daily average handle for these simulcast locations was \$3,158 per branch as compared to \$3,657 in 1990. Capital simulcast Yonkers into certain branches within Saratoga Raceway's region when that track was racing. The Friar Tuck Inn, New Lebanon and Plattsburgh were allowed to simulcast other harness tracks when Saratoga Raceway was racing because of the inability to microwave simulcasts of Saratoga to these branches.

Capital OTB distributed \$656,000 in surcharge revenue from winning Yonkers wagers. Statutory payments, based on simulcast handle, to Yonkers in 1991 were \$373,000. Simulcast contractual payments totaled \$73,000 in 1991. The contractual payment is 0.5% of the total daily Yonkers handle which exceed \$83,000 for each race day. Capital OTB also pays Yonkers an annual fee of \$50,000. While there is

no written contract, Capital OTB does have a verbal agreement with Yonkers.

Capital OTB's 1991 handle for Batavia Downs was \$1.9 million, a decrease of \$296,000 or 13.4% as compared to 1990. Simulcast locations accounted for \$1.6 million or 86.1% of the total Batavia sales, a decrease of \$162,000 or 9% as compared to 1990. The daily average handle for these simulcast locations was \$1,436 per branch as compared to \$1,558 in 1990.

Capital OTB distributed \$73,000 in surcharge revenue from winning Batavia sales. Statutory payments, based on simulcast handle, to Batavia in 1991 were \$45,000. Simulcast contractual payments totaled \$13,000 in 1991. Capital OTB paid Batavia \$300 per race date, when both of its regional tracks were dark, and \$150 per race date when one regional track was dark. There was no simulcasting when both regional tracks were conducting racing.

Capital OTB's 1991 handle for Buffalo Raceway was \$2.2 million, an increase of \$88,000 or 4.2% over 1990. Simulcast locations accounted for \$1.9 million or 88.5% of the total Buffalo sales, an increase of \$177,000 or 10% over 1990. The daily average handle for these simulcast locations was \$1,750 per branch as compared to \$2,257 in 1990.

Capital OTB distributed \$82,000 in surcharge revenue from winning Buffalo wagers. Statutory payments, based on simulcast handle, to Buffalo in 1991 were \$53,000. Simulcast contractual payments totaled \$16,000 in 1991. Capital OTB paid Buffalo Raceway \$300 per race date, when both of its regional tracks were dark, and \$150 per race date when one regional track was dark. There was no simulcasting when both regional tracks were conducting racing.

Capital OTB's 1991 handle for Monticello Raceway was \$454,000, a decrease of \$1.2 million or 72% as compared to 1990. This large decrease may be due in part to the failure of Monticello to draw interest for its experimental Saturday morning racing (post time 10:00 a.m.) or its Tuesday matinee opposite Finger Lakes Race Track. Simulcast locations accounted for \$185,000 or 40.8% of the total Monticello sales, a decrease of \$563,000 or 75.2% as compared to 1990. The daily average handle for these simulcast locations was \$712 per branch as compared to \$2,383 in 1990. This dramatic decrease is attributable to a decline in simulcast handle, while the total number of dates and branches simulcasting increased.

Capital OTB distributed \$18,000 in surcharge revenue from winning Monticello wagers. Statutory payments, based

on simulcast handle, to Monticello in 1991 were \$5,000. Capital OTB agreed to pay Monticello \$250 per race date for the right to simulcast. There were no simulcast contractual payments made to date.

In return for consent from Vernon Downs (which does not simulcast its races) to simulcast races from harness tracks outside the special betting district to OTB branches within the district (when Vernon was racing), Capital agreed to guarantee a minimum payment of \$75,000 over the prior year's statutory commissions. This payment was generated through additional regional track commissions on the out-of-district harness races permitted to be simulcast under this agreement.

Capital OTB paid a fee of \$149,000 in 1991 to the simulcast vendor for satellite transmission time for various race tracks.

Capital OTB also accepted wagers on various out-of-state race tracks. The Racing Law authorized OTB corporations to accept wagers on out-of-state thoroughbred race tracks, when the non-profit racing association (NYRA) is not conducting racing. In addition, the Board may designate up to 15 thoroughbred and five harness races run outside of an OTB region as races of special interest on which OTB may accept wagers. During 1991, Capital accepted wagers on ten out-of-state tracks on NYRA dark days. Total handle for these dark day tracks was \$4.8 million, an increase of \$804,000 or 19.9% as compared to 1990. Wagering was also conducted on 15 thoroughbred races of special interest and five harness races of special interest. The two series of races known as the Breeders' Cup (thoroughbred) and Breeders' Crown (harness) are each designated by law as one race of special interest. Capital's handle on the thoroughbred races of special interest was \$3.3 million, an increase of \$1 million or 46.1% as compared to 1990. This increase is largely attributed to the 1990 Breeders' Cup being held at Belmont Park, which transferred the handle (\$852,000 in 1989 and \$974,000 in 1991) from special events to NYRA. Capital's handle on harness races of special interest was \$80,000, an increase of \$18,000 or 28.5% as compared to 1990. This increase is attributed to the fact that Capital handled five harness special events as compared three in 1990. Capital OTB's handle totaled \$3.4 million for the 20 special events, an increase of \$1.1 million or 45.6% as compared to 1990. All out-of-state wagers amounted to \$8.2 million, an increase of \$1.9 million or 29.3% as compared to 1990.

Capital OTB, on certain occasions (NYRA dark days and cancellations), has shown delayed broadcasts of out-of-state races. These delayed broadcasts were allowed in an attempt to increase interest in racing and permitted with certain

restrictions. The replay was not shown until after the race was official and all OTB payouts were posted. During the replay the screen has to be clearly labeled "delayed replay". These restrictions were imposed to insure the integrity of the pari-mutuel system and to protect the interests of the racing fans.

In 1991, Capital OTB's handle for telephone accounts was \$17.9 million an increase of \$301,000 or 1.7% over 1990. Non-surcharge accounts, accounts with a minimum balance of \$500 at all times, had a total handle of \$1.5 million for the 59 accounts or a per account average of \$25,124 in 1991. Regular accounts handled \$16.4 million in 1991.

The Legislature authorized the Board to approve one ninety-day experiment involving simulcasting of horse races upon which pari-mutuel betting was conducted to private residences. On February 28, 1991, the Board approved an application filed by Capital OTB to conduct an experiment to simulcast the entire Saratoga Raceway program into homes within the Capital Region, one night a week. The application included a joint agreement by Capital OTB, Saratoga Harness Racing, Inc., and the Northeastern Harness Horsemen's Association.

The agreement provided:

1. that Capital's TV and Radio Network facilities would be the transmission system;
2. that all costs of production, transmission and related simulcasting costs would be the responsibility of Capital;
3. that Capital would pay Saratoga Raceway, in addition to existing statutory and contractual commissions, an additional two percent (2%) of all wagers on such races placed by telephone with Capital on the days of the in-home experiment;
4. that Saratoga Raceway would share such 2% commission with its horsemen in accordance with the terms of their existing contract.

Capital estimated that 195,000 viewers would be able to see the simulcast in parts of nine counties. In addition, an estimated 145,000 viewers received a data display and an audio-signal via cable television systems without the live race picture.

The Board's authorization enabled the experiment to be conducted on eight Friday nights: March 1, 8, 15, 22, 29; April 5, 19 and May 10, 1991. Subsequently at the request of the applicants, the Board modified the dates to add four

Wednesday nights: April 24; May 1, 8 and 15, 1991. Thus, a total of 12 nights of in-home experimental simulcasting were authorized and conducted.

The applicants, particularly Capital, devoted considerable time, effort and energy to make a comprehensive three-hour plus television production featuring Saratoga's harness races. The program included segments on how to bet, expert descriptions and handicapping of that night's race card and race by race pre/post race analyses. Also included were pre-recorded interviews with various owners, trainers and drivers, as well as reports on upcoming races, special events and key participants in the racing industry. This professional production was geared to attract both new bettors as well as provide additional information to sophisticated fans.

The Board's analysis of the available data showed that for the dates of the experiment, average on-track handle at Saratoga Raceway declined by \$16,477 (12.3%) while average total off-track handle increased by \$15,724 (16.4%) compared to similar dates in 1990.

Included in OTB's increase was the increase in average telephone betting handle of \$17,091 (from \$8,043 to \$25,134) or 212%, while its daily average branch handle declined by \$2,070 (2.4%). As was expected, the daily average on-track attendance declined. The decline was 21 persons per day or 1.5%.

Under the terms of the agreement, Capital paid Saratoga Raceway a total of \$6,405, as the supplemental 2% commission on telephone wagers, which was shared with the horsemen.

Given the absence of other accurate comparable data (such as year to date results), it was exceedingly difficult to report on factors such as wagering shifts and revenue trends. In addition, the continuing industry-wide decline in handle, coupled with a severe economic recession made judgments relating to their effects on the experimental wagering and revenue patterns imprecise, if not unreliable.

The participants have expressed their opinions, that they are "very pleased" with this experiment and that it "is a superb marketing tool". Capital went on to state that if this type of experiment would be authorized for a longer time frame (i.e., one year), it would enable the participants to engage in promotional activities which could enlarge the audience for in in-home simulcast wagering.

Similarly, while Saratoga Raceway "wholeheartedly" supported the continuation of a home television program, the track strongly asserted that the race tracks should keep control over when and where the program is done and shown.

Saratoga notes that so far there is only a small statistical sample, and that there is need to continually monitor any extension of the experiment.

In assessing the experiment, several factors were considered by the Board: First, there were only a few experimental programs. The statutory authorization contemplated a ninety-day trial; only a dozen programs were broadcast. Next was the irregular schedule of the broadcasts - some on Friday nights for several weeks; then Wednesday nights and Friday nights. A more realistic experimental basis would have been a consistent, consecutive experiment of sufficient duration to allow for analysis of any shifts in wagering or revenue trends without opportunity for dilution with non-simulcast programs. Finally, since the experiment did not include a specially designed marketing program, a valid attempt to determine the potential of in-home simulcasts to expand the market is impossible.

The Board concluded that simulcasts directly into homes, businesses and commercial establishments offers the opportunity to enlarge the racing fan base as well as making wagering information and opportunities more accessible. However, to more fully understand its impact on pari-mutuel betting handle and attendance at existing race tracks and OTB facilities, a more extensive, comprehensive and consistent experiment is needed. The result of this limited experiment was inconclusive. Handle trends on track were continuing to decrease. It is virtually impossible to identify what effect this experiment had to either accelerate or stem that tide. Off-track betting at branches is similar. The increase in telephone betting was an expected result, yet the total daily average dollar amount was relatively small (\$17,091).

On June 14, 1991, the Board submitted a detailed report to the Governor and the Legislature on the experiment. In that report the Board recommended that the Governor and Legislature authorize a comprehensive one-year experiment allowing each regional OTB, in conjunction with its regional track(s), to conduct such an experiment. Unfortunately, no such authorization was given [See: Recommendation #4].

Therefore, under the terms of section 1003(1) of the Racing Law, no simulcast into residences for pari-mutuel wagering purposes, on a regular basis, is allowed in New York State.

A 1985 amendment to Section 532 of the Racing Law provided that, where a track located in a thoroughbred special betting district simulcasts outside such special betting district, the 50% share of surcharge allocated to the county in which such track is located shall be allocated

90% to the OTB corporation (as regular earnings) and 10% to the county. Under this statute Capital received \$447,000 in 1991.

At the end of 1991, Capital OTB was operating 17 telebranches. These telebranches offered either deli food or vending machines. Three facilities operate with deli food service; two of them, Woodlawn and Delmar, are unique. The concessionaires that operate in these facilities are actually separate businesses. The design of these facilities allows the branch or the concessionaire to close while the other part remains open. The daily average handles were \$20,824 and \$7,438 respectively. Capital receives no income from these concessions.

The remaining facility, New Lebanon, is the most successful. In 1991, this facility had a daily average handle of \$24,330 as compared to \$29,452 in 1990, a decrease of 17.4%. The pre-conversion (1987) daily average handle for this branch was \$17,190. The 1991 daily average handle (\$24,330) represents a 41.5% increase over the pre-conversion year. Capital received \$12,000 from concessions.

In 1987, Capital OTB had vendors install soda, snack and coffee machines in certain simulcast locations. At the end of 1991, Capital offered vending machine service at 14 facilities. Concession sales for 1991 were \$45,000, which produced \$4,000 in revenue for Capital OTB.

Financing for these and other projects prior to July 1990, had been through commercial loans. Since the establishment of the Capital Acquisition Fund, Capital no longer finances its improvement through loans. Capital's largest loan is with Norstar Bank. It has a principal payment schedule which requires that the loan be paid in full by 1996. At the end of 1991, Capital OTB had five outstanding obligations:

<u>BANK</u>	<u>LOAN</u>	<u>BALANCE</u>	<u>PURPOSE</u>
Norstar Bank	\$7,500,000	\$6,250,000	Leasehold improvements
	290,000	210,250	Expand simulcast theater parking lot
	590,000	346,449	Mortgage (Imperial Racing Center)
M&T Bank	342,356*	39,942*	Restaurant and television equipment
Adirondack Leasing	38,106*	25,404*	Restaurant equipment

(*Includes principal and interest)

The rate of interest for all of the Norstar Bank loans is 75% of the prime rate adjusted quarterly. There is a 12% maximum and a 6% minimum rate of interest. The interest rate as of December 31, 1991 was 6%. The outstanding commitments to M&T Bank are conditional sales contracts with interest rates that vary from 8.75% to 10.5%. The interest rate on the Adirondack Leasing loan is 11%.

With the revised simulcast authorization came a new financing vehicle for the OTB corporations. The surcharge on winning multiple, exotic and super-exotic wagers was increased by 1% to 6%. With the additional 1%, OTB corporations could establish a Capital Acquisition Fund to receive the additional surcharge. With the Fund, the corporations could make new capital acquisitions or pay off its existing loans. Capital OTB has established such a fund and contributed \$1.1 million during 1991.

In December 1989, Capital rented 60 machines from Video Lottery Consultants (VLC) of Montana. During 1990, Capital installed these VLC machines (which are similar to SAMs used by NYRA) throughout its branches. At the end of 1991 Capital had installed 120 VLCs. The VLCs had a total handle of \$21.9 million in 1991, 9.7% of Capital's total handle.

In 1991, two members of the Capital OTB Board resigned. Madison County's director retired and the County's Board of Supervisors appointed Frank Melena as its new director. Albany County's director, Thomas Cairns, resigned after it was revealed that he also was employed by the Corporation as a lobbyist. This is in conflict with the Attorney General's Opinion No. F88-1, which concludes that a director may not hold any other position of employment with the Corporation. The Board directed that Mr. Cairns resign one of his positions with Capital OTB voluntarily or the Board would initiate proceedings to remove him as a director, pursuant to Section 502 of the Racing Law. The Board now requires each OTB corporation to submit an annual certification of compliance with Attorney General's Opinion No. F88-1.

In January 1990, the Board enacted Rule 5204.16. This rule requires that all branches shall have restrooms unless good cause can be shown to the Board. Capital OTB has restrooms in or available near 32 branches. Capital OTB has 23 branches without restrooms and has made little effort to install them. Capital has filed an application seeking a waiver of the rule for these facilities, which is currently pending before the Board.

In early March 1991, the Albany Times Union newspaper ran a series of articles on Capital OTB. Throughout the rest of the year, the Times Union continued to closely monitor and report on Capital OTB. The articles question

certain business practices of Capital, particularly its travel and automobile expenses. The articles focused on Capital's expenses and the amount returned to its participating counties. The series highlighted the need to enact the Board's legislative proposals to enhance the integrity and accountability of OTB [See: Recommendation #2].

ENHANCED TELEBRANCHES - 1991 UPDATE

With the conversion of its Whitehall branch in 1991, Capital OTB now operates 12 enhanced telebranches in ten different counties. The telebranch section of the Teleplex Racing Center will be discussed later. All of these enhanced telebranches offer patrons a comfortable simulcast viewing area and food service with alcoholic beverages (Glens Falls and East Greenbush offer only beer and wine). The food service offered by these branches varies from table service to deli style to a combination of both. Capital's simulcast branch in Whitehall, Washington County, was converted to an enhanced telebranch in May. A wall which separated the branch and a restaurant was removed so customers could enjoy both facilities. This facility was renovated at a cost of \$28,000. The daily average handle at this branch has been \$6,265 since its conversion, as compared to \$5,314 prior to conversion.

The following table illustrates Capital's aggressive expansion of its enhanced telebranches, which began in 1987 and continues today:

Branch Location	Conversion Date to Enhanced Branch	Renovation Cost	Daily Avg. Handle 1991	Daily Avg. Handle Pre-con.	Concession Income
Schenectady	Mar 1987	1,200,000*	25,726	10,276	12,000
Charlestown	Mar 1987	54,000	9,489	7,859	6,000
Troy	Apr 1987	863,000	16,508	5,642	36,000
Amsterdam	Dec 1989	877,000	16,411	13,502	12,000
Gloversville	Nov 1989	528,000	11,831	6,573	8,400
Utica	Jun 1990	530,000	15,421	14,268	6,100
Glens Falls	1990	239,000	19,221	12,468	8,600
East Greenbush	Apr 1990	194,000	10,419	14,293	3,000
Plattsburgh	May 1990	351,000	17,165	8,713	5,200
Bridgeport	May 1990	210,000	33,037	21,091	26,000

*Includes purchase price of building.

TELEPLEX RACING CENTER - 1991 UPDATE

The Teleplex Racing Center is a single building and contains two OTB facilities. One is an enhanced telebranch; the other, a simulcast theater. This center houses the two most successful components of Capital OTB. The enhanced telebranch seats 270 people, offers food and alcoholic beverages and has no dress code. The telebranch

does not charge an admission fee and winning wagers are subject to the OTB surcharge.

In August 1990, the enhanced telebranch expanded the amenities it offered to its customers. The branch was expanded to include a sports bar, "The Scoreboard". Capital OTB spent \$1.2 million on converting warehouse space into the sports bar and improvements to the telebranch. This unique facility offers a bar area, table seating with a light menu, three betting windows, 65 televisions for sporting events and a wide variety of sports-related games. These games include five computer-simulated golf courses, foosball tables (soccer), pool tables, shuffleboard, bowling, electronic dart boards, basketball shoot-out, football toss, a batting cage and a pitching cage. These games produced \$276,000 in revenue for Capital.

Capital is able to close and secure the branch facility while the sports bar remains open. Concession sales for 1991 at the telebranch were \$256,000 (daily average of \$706) and \$1.8 million at The Scoreboard (daily average of \$4,887). Capital received \$476,000 from its concessionaire.

During 1991, two unusual incidents took place at The Scoreboard. In June, a bartender, employed by the concessionaire was arrested for serving alcoholic beverages to a minor. The criminal case against the bartender was adjourned in contemplation of dismissal. The concessionaire was fined \$1,000 and given a ten-day suspension of its liquor license, which would be deferred if no similar arrests were made in a year. In August, a security supervisor was assaulted at The Scoreboard. The Capital OTB employee was escorting an underage patron and a friend from the facility when he was assaulted by an unknown number of persons. The employee was struck in the head with an unknown object and received injuries to the head and facial area. The employee has recovered with the exception of slight memory loss. The incident is under investigation by the Albany Police Department, and to date, no arrests have been made.

As a result of these two incidents, Capital OTB has instituted stringent security policies. All patrons, regardless of age, are required to wear wrist bands as proof they are of the legal age. Capital's actions should eliminate underage access to the facility.

In December 1991, a bartender employed by the concessionaire at the simulcast theater was arrested for the sale of an alcoholic beverage to a minor. The criminal case against the bartender was adjourned in contemplation of dismissal. The concessionaire, also operates The Scoreboard under the same liquor license. Since this is the second incident within a year, the concessionaire could have its

liquor license suspended for up to 30 days. The matter is now pending before the State Liquor Authority.

The simulcast theater charges \$3 per person for admission and winning wagers on simulcast races are not subject to the OTB surcharge. All non-simulcast races are subject to the OTB surcharge. This entertainment center offers food, alcoholic beverages, electronic sports information boards, special sporting events and assorted patron amenities. A dress code has been established. During 1991, concession sales averaged \$3,247 a day, for a total of \$1.2 million. Capital received \$41,000 from concession sales at the theater.

The Teleplex Racing Center's handle for 1991 was \$46.3 million, a daily average handle of \$127,088. The simulcast theater's handle for 1991 was \$32.9 million, a daily average handle of \$90,844, with per capita wagering of \$244. The telebranch's handle for 1991 was \$13.1 million, a daily average of \$36,243. In 1991, 20.3% of Capital OTB's total handle resulted from wagers placed at this unique facility. During this year, Capital OTB spent \$35,000 on capital improvements at the simulcast theater and \$195,000 at the telebranch (sports bar).

Capital OTB has sought to attract new business through various promotions. In 1991, Capital OTB displayed numerous closed circuit boxing events, conducted handicapping seminars and contests as well as reduced admissions. Fashion shows, as well as charitable and political events, were held at the simulcast theater. Most successful of these is its Monday Night Football promotion. Due to the success of this promotion, Capital expanded it to other facilities and occasions. These activities brought in potential new bettors.

In 1991, Capital OTB in conjunction with Saratoga Harness conducted a promotion called "Adopt-A-Horse". On a designated night, all persons at either the Albany Simulcast Theater or the Raceway could register as "honorary owners" of the "adopted" horse. A total of 607 people registered as honorary owners. On days the "adopted" horse competed, free admission was given to all "honorary owners" at the track as well as the simulcast theater. Capital and Saratoga paid into an account \$5,500, an amount equal to the purse money the "adopted" horse earned. At the end of the promotion, all the "honorary owners" equally shared these monies.

The simulcast theater has generated additional revenue for state and local governments. Capital OTB collected \$117,000 in admission fees (a decrease of \$25,000) and paid \$5,600 in State admission taxes. Total attendance at the simulcast theater was 133,750. Pursuant to Section 1009(10) of the Racing Law, Capital OTB paid the City of Albany

\$329,000 in 1991. This payment is derived from an agreement with the City of Albany to pay 1% of the simulcast theater handle, in lieu of any other local tax.

SPECIAL DEMONSTRATION PROJECT-1991 UPDATE

On June 29, 1990, Capital OTB opened a simulcast theater in the Friar Tuck Inn (Greene County). Renovation costs of \$25,000 were relatively low since this facility was placed in an already existing hotel. The simulcast theater has an admission charge of \$3 per person and winning wagers on simulcast races are not subject to the OTB surcharge. This theater offers food, alcoholic beverages and a simulcast viewing area. The handle for 1991 in this facility was \$3.3 million, a daily average of \$9,413, with per capita wagering of \$286. Total attendance at the project was 11,552 generating \$34,654 in admission fees, and resulting in \$1,400 in State admission taxes. Since the hotel had restaurant facilities, Capital did not have to establish them. Under the agreement between Capital and Friar Tuck, the hotel retains any income from the restaurant's operations.

The theater is open year round except for two weeks from March 27 to April 7 when a private organization, which disapproves of gambling, rents the entire hotel.

CATSKILL REGIONAL OFF-TRACK BETTING CORPORATION

Catskill Regional Off-Track Betting Corporation is comprised of 13 counties located in the eastern and southern regions of the State. The nine participating counties are Broome, Chemung, Chenango, Dutchess, Orange, Putnam, Rockland, Tioga and Ulster. In 1991, Putnam became the latest county to join the corporation when simulcast branches opened in Brewster and Mahopac in August. There are two race tracks operating within the territory of Catskill OTB. Both are harness tracks and are located in non-participating counties. Sullivan County is the home to Monticello Raceway, while Yonkers Raceway is in Westchester County. A third track, Tioga Park (in participating Tioga County) was encouraged by the last two New York State legislative sessions to reopen but, as yet, has not. Under current legislation, Tioga Park management has until July 1992 to commence operations, in order to take advantage of certain statutory benefits.

In 1991, Catskill OTB had 32 branches operating, two more than the previous year. In total, 71 simulcast operations were conducted. Brewster and Mahopac began in August, while Ellenville was converted to a simulcast facility in mid-December. These three locations were denied

the simulcast signal by Yonkers' management. Negotiations for that simulcast are ongoing.

Catskill OTB's 1991 handle was \$121.5 million, an increase of \$5.6 million, or 4.8% over 1990. Of that total, \$92.1 million was wagered on thoroughbred races and \$29.4 million was wagered on harness races. The total handle for Catskill OTB represents 6.7% of all the New York off-track betting handle in 1991. Catskill ranks sixth in the State in terms of total betting handle. Based on its total \$121.5 million handle for 1991 (as compared to \$115.9 million in 1990), Catskill generated the following:

	<u>1991</u>	<u>1990</u>
Statutory Payments:		
N.Y. State	\$1,850,067	\$2,307,781
Breeders' Fund	755,990	711,651
Tracks (incl. contractual)	7,322,884	6,643,223
Total Operating Expenses	12,938,328	11,847,813
Percentage of Handle	10.7%	10.2%
Net Earnings to Own Localities	604,031	2,518,144
Percentage of Handle	0.5%	2.2%
Surcharge:		
To Own Localities	2,686,710	2,562,058
To Localities Outside Region	-2,270,757	2,170,764

Of Catskill OTB's total betting handle, \$98.9 million or 81.4% was wagered on simulcast races. This represents an increase of \$32.7 million, or 50.2% as compared to 1990.

The simulcasting of NYRA races into 19 branches reflected a handle of \$64.7 million, which was 84.6% of total NYRA handle. This was an increase of \$23.2 million or 56% over 1990, a year in which Catskill lost the simulcasts of NYRA and Yonkers for better than four months due to the lack of contractual agreements. Daily average simulcast handle was \$12,514 per branch, an increase of \$64 over 1990. Surcharge revenue of \$3.7 million on NYRA races was generated by Catskill OTB.

Finger Lakes Race Track accounted for \$9.6 million in Catskill simulcast handle, which was 91.4% of the total Finger Lakes handle. The 1991 Finger Lakes handle slightly surpassed what was wagered in the Catskill region in 1990. Daily average simulcast handle was \$3,655 per branch, a decrease of \$86 from 1990. Surcharge revenue of \$306,000 on Finger Lakes races was generated by Catskill OTB.

Harness simulcast handle at 18 branches resulted in just \$23.6 million in 1991. This was an increase of \$9.5 million as compared to 1990.

Monticello Raceway simulcast its races just 11 times during the year to Catskill OTB. For the most part, Monticello races were simulcast when Yonkers Raceway was dark. During April, however, Monticello experimented with four Saturday morning programs. Catskill averaged just over \$23,000 per Monticello Saturday a.m. card. Simulcast handle was \$434,000 which was 10.5% of total Monticello handle. This was a decrease of \$1.3 million or 76% from 1990, when many more Monticello programs were simulcast as a result of less Yonkers availability. Daily average simulcast handle was \$2,432 per branch, a decrease of \$950 per branch from 1990. The Putnam County tandem of Mahopac and Brewster simulcast just the Monticello programs of November 6 and December 31. These branches averaged \$1,561 per program. Surcharge revenue of \$194,000 on Monticello races was generated by Catskill OTB.

Yonkers Raceway simulcast its harness programs for the entire year of 1991 unlike the previous year. The resultant effect was that the Yonkers simulcast handle for 1991 increased to \$23.1 million, which was 91.8% of total Yonkers handle in the Catskill region. There was no simulcast on November 22 due to a transmission problem at the track uplink. Daily average simulcast handle in 1991 was \$4,789 per branch, a decrease of \$79 from 1990. Surcharge revenue of \$1.2 on Yonkers races was generated by Catskill OTB.

Catskill OTB also accepted wagers on various out-of-state tracks. The Racing Law authorized OTB corporations to accept wagers on out-of-state thoroughbred race tracks, whenever the non-profit racing association (NYRA) is not conducting racing. During 1991, Catskill OTB accepted wagering on seven out-of-state race tracks on NYRA dark days. Total handle for these out-of-state tracks was \$3 million. Wagering was also conducted on 15 thoroughbred races and two harness races of special interest. The two series of races known as the Breeders' Cup (thoroughbred) and Breeders' Crown (harness) were each designated by law as one race of special interest. Catskill OTB's handle totaled \$2.1 million for the 17 special events, an increase of \$500,000 over 1990. Much of the increase in wagering is attributed to the Breeders' Cup which in 1991 was contested in Kentucky. In 1990, this one-day super-event of thoroughbred racing was a regular part of the NYRA program. All of these special events were televised nationally on commercial channels. The regular out-of-state events, carried only on NYRA dark days (usually Tuesdays), have the audio (sometimes delayed). The bettor is unable to view the race or replay of any out-of-state race, other than a special event. Despite this inconvenience, all out-of-state wagering amounted to \$5.2 million in handle for Catskill OTB, an increase of \$1.3 million over 1990.

In 1991, Catskill OTB's simulcast expenses increased significantly over the previous year. In 1991, Catskill simulcast both NYRA and Yonkers for the entire year, while in 1990 there was just eight months of simulcasting due to contract expirations and disputes. Catskill paid NYRA \$3.5 million in statutory payments based on simulcast handle. NYRA received \$926,000 in contractual payments. Finger Lakes received \$317,000 in statutory payments based on simulcast handle. Contractual payments to Finger Lakes totaled \$105,000. The newest Catskill-Finger Lakes simulcast contract, which commenced in March of 1991, calls for Catskill to pay Finger Lakes a 1% premium on simulcast handle for the signal.

Yonkers received \$1.1 million in statutory payments based on simulcast handle. Currently, there is no executed contract with Yonkers, thus no contractual payments were made in 1991. As a gesture of goodwill, Catskill OTB made a \$100,000 "good-faith" payment towards contractual commissions that will be due Yonkers when a contract is finally agreed upon. What has been hammered out is that when this contract is executed, Catskill's payment due Yonkers will be retroactive to July 18, 1990, the date of resumption of the Yonkers' simulcasts to Catskill OTB.

Monticello Raceway received \$30,500 in statutory payments based on simulcast handle. Monticello was paid \$2,750 for the 11 programs simulcast by Catskill, or \$250 per program. For the Monticello programs that were simulcast during 1991, Catskill shared in the uplink costs for the simulcast signal with other receiving OTB corporations.

In 1991, Catskill's single simulcast vendor was paid slightly over \$300,000 for its services.

Catskill OTB established its capital acquisition fund in 1989. There was a carryover balance to 1991 of \$623,000. During 1991, \$1.4 million for the fund was generated by wagering at Catskill. In 1991, \$901,000 was expended by Catskill OTB, leaving a balance of \$1.1 million in its capital acquisition fund at year's end.

Catskill has a rather uneventful year in 1991 relating to simulcasting, as compared to 1990, when it lost its NYRA signal for better than four months and its Yonkers simulcast for close to six months. Contracts are in place with NYRA and Finger Lakes. Catskill has yet to execute a new contract with Yonkers Raceway, but did make a "good-faith" payment of \$100,000. There is no formal contract with Monticello, which rarely simulcasts. Catskill pays a fee per race card when simulcasting does occur. This fee has averaged about \$250 per program during the past few years.

The NYRA simulcast contract currently in effect calls upon Catskill OTB to pay NYRA 6.5% of total simulcast handle. This contract, which runs for five years until June 30, 1995, was signed on November 16, 1990.

The Finger Lakes simulcast contract calls for Catskill OTB to pay a 1% premium commission on total simulcast handle. This multi-year contract, which expires at the end of the 1993 Finger Lakes racing year, was executed in March of 1991.

During 1991, Catskill OTB operated 32 branches for all or part of the year. Nineteen of these branches simulcast thoroughbred races, while just 16 had the Yonkers' harness racing picture, due to the lack of consent by Yonkers Raceway. One of those 16, Nanuet, was allowed by Yonkers to simulcast just matinee harness programs. The two newest Catskill branches in Putnam County carried only the daily NYRA simulcasts and the harness simulcasts of Monticello on November 6 and December 31.

Nine of the branches were equipped with vending machines which produced slightly over \$23,000 in revenue for Catskill, as this OTB corporation retains commissions of 18-20% on each sale. A branch in Middletown was relocated to an operating bowling establishment in January of 1991. In May, it became Catskill's first enhanced simulcast branch, as the closed bar area of the bowling alley was reopened. An experienced restaurateur operates this part of the facility and pays a monthly rental to Catskill OTB. Various sandwiches and other hot foods were served, along with assorted alcoholic and non-alcoholic beverages.

Unfortunately, the bowling business was not profitable and that area of the building is now vacant. Catskill OTB is considering other plans for the vacant space. Catskill has been slow to enhance its branches with food and alcoholic beverage service as its nightly handle has, at best, been marginal. The seeming disinterest in harness racing (Catskill's only nighttime product) has serious ramifications. The success of any food or alcoholic beverage service is contingent on the night product, as nights are when this type of service is in major demand. One of Catskill's largest volume branches in Nanuet is not allowed the Yonkers' simulcast. Another of Catskill's newest and best-equipped simulcast branches in Mahopac is not even allowed a live or delayed race call, much less the simulcast from Yonkers. The geographically northern-most Catskill OTB branch in Norwich poses the most striking harness problem of all. Norwich, which is nearly an hour's drive from Vernon Downs, has harness race programs from Yonkers and Monticello just a few months in the winter while Vernon is closed. When Vernon is conducting live harness racing, it steadfastly refuses to simulcast. At the same time, Vernon exercises its

right to deny Catskill the opportunity of taking wagers on either Yonkers or Monticello Raceway. Clearly, the racing fan in Norwich is being slighted, for there is no impetus for Catskill to offer these fans a well-equipped simulcast facility.

Telephone betting in 1991 for Catskill OTB totaled \$1.1 million. Of that amount, \$224,000 was wagered by account holders who maintained an average balance of at least \$500 in their accounts, thus avoiding the surcharge. Catskill has lost many of its regular telephone account holders of past years to New York City OTB. NYCOTB alone, has legislative authorization for "no minimum-no surcharge" accounts. The total telephone handle in 1991 for Catskill OTB was 25.2% less than the best recent year of 1989, the last year in which all telephone accounts were subject to the surcharge.

Lottery sales are conducted in 21 of the Catskill branches. In 1991, Catskill OTB derived \$157,000 in commissions from lottery sales.

Restrooms are available in 18 branches. All of the simulcast branches except Elmira, Kingston and Wappingers Falls have customer restrooms. Elmira will be equipped with such in early 1992.

Putnam County became a participating county in the Catskill OTB corporation in 1991. Two branches were opened in Putnam on August 9th. The Mahopac branch is Catskill's most scenic branch, as it is located in a newly constructed building overlooking Lake Mahopac. With its attractive decor and super-sized television monitors, it quickly was accepted by Putnam County residents. Comfortable seating, desks for handicapping and restrooms are all currently in place. Vending machines have been approved by the Board and are forthcoming in early 1992. The second Putnam facility was opened in Brewster at the junction of five major highways. Currently, it is operating temporarily in a tent attached to the former Barn Mall, a local landmark. The Catskill employees and betting terminals are housed in the "barn mall", while the customers and simulcast monitors are in a heated tent. Plans are to provide a permanent inside home for the Brewster facility in 1992.

The non-simulcast Ellenville branch was relocated and became a simulcast branch on December 18th. The customer comforts of this branch were enhanced with the addition of restrooms, comfortable seating, desks for handicapping, attractive decor, but appreciated most of all by the customers, was the simulcast signal.

Catskill installed a "state of the art" communications network in 1991. This enabled increased reliability in all areas of communication with branches. It eliminated

redundant network lines and provided improved service. Eventually, Catskill will realize reduced costs in this area while attaining greater efficiency. A communications trade journal even published a story during the year concerning Catskill's system upgrading.

Catskill is ever vigilant in stemming crime from occurring in and around its branches. Security procedures are constantly reviewed with managers and the latest security techniques are implemented. Despite the care taken to avoid problems, "professionals" spent several hours one Sunday evening and early Monday morning in late December at the Wappingers Falls branch. They compromised a complicated branch alarm and vault security system. A hole was bored into the vault and \$18,900 was taken. This caused Catskill to further strengthen the security of its branches.

A fire in late April in a Poughkeepsie apartment above a Catskill branch, caused that branch to be closed for five days. The branch was not damaged but the City of Poughkeepsie would not allow the facility to reopen until the building inspector certified it as safe. Unfortunately, the building inspector was away on his vacation and was unavailable for a few days. The branch was reopened in time to accept wagers on the Kentucky Derby on the first Saturday in May.

"Special Demonstration Projects", as passed in 1985 by the Legislature, continued to remain dormant in the Catskill region. Although various resort hotels and Catskill OTB seem to be able to reach an agreement on these "special projects", Monticello Raceway, and its influence on adjacent local governments, has effectively blocked implementation for years. No progress was made in 1991.

One fact is very clear. The decline in harness racing has seriously hurt the ability of Catskill OTB to attain its goal of maintaining, much less increasing, revenue for local governments. Although Catskill is getting pinched by NYRA and Finger Lakes in terms of escalating costs for the rights to simulcast signals, Catskill also has effectively been hurt in marketing harness racing. Many of its branches have been denied any Yonkers' audio call (either live or delayed), while some of its larger branches have been denied simulcasting. This alienates the existing harness customer and precludes the corporation from attracting new ones. Yonkers' management reasons that if Catskill does not have what the customers want, that customer will proceed directly to Yonkers. But Yonkers' fan base on-track has continued to erode each of the past few years. This leads to the conclusion that there are many former harness fans who have abandoned the sport altogether. As recently as 1987, the major metropolitan New York harness circuit (Yonkers-Roosevelt) accounted for over 30% of total Catskill handle.

In 1991, the surviving Yonkers track had sales providing just over 20% of total Catskill handle.

SUFFOLK REGIONAL OFF-TRACK BETTING CORPORATION

Suffolk Regional Off-Track Betting Corporation, located in Suffolk County, had 18 branches and a simulcast theater operating in 1991. During the year, two branches were closed. At the end of 1991, 11 branches and a simulcast theater simulcast races from the New York Racing Association (NYRA) and Yonkers. The 12 simulcast facilities also simulcast Finger Lakes on 35 NYRA dark days from April 9 to December 3. Finger Lakes was also simulcast for 15 days during the NYRA Saratoga meet. Suffolk also simulcast Monticello during 1991. Suffolk OTB conducted 48 simulcast operations throughout the year.

In 1991, Suffolk handled \$140.9 million on thoroughbred races and \$44.4 million on harness races, for a total of \$185.3 million, a decrease of \$11.7 million or 6% compared to 1990.

Handle in Suffolk has dropped from a high of \$206.8 million in 1989 to the current \$185.3 million, a decrease of more than 10% in the two year period. Economic conditions in the bi-county area (Nassau and Suffolk) show no sign of improvement; state and local governments, school districts, and the defense industry, an important component of the region's economy, all are laying off employees. The bi-county area lost over 54,000 jobs in 1991. The building trades are almost at a standstill, along with housing and retail sales. In this economy it is not surprising that people have chosen not to gamble. Suffolk is carefully watching branch expenses in an effort to cut costs, but the economy and resultant decline in handle is showing up in declining revenues.

In terms of total betting handle, Suffolk OTB ranks fifth in the State, with 10.2% of all New York State off-track betting handle. Based on a \$185.3 million total handle for 1991 (as compared to \$197 million in 1990), Suffolk generated the following:

	<u>1991</u>	<u>1990</u>
Statutory Payments:		
N.Y. State	\$ 2,909,632	\$ 3,025,838
Breeders' Fund	1,150,531	1,230,283
Tracks (incl. contractual)	11,405,928	11,983,918
 Total Operating Expenses	 19,283,050	 19,043,467
Percentage of Handle	10.4%	9.7%
 Net Earnings to Own Localities	 1,670,158	 3,212,785
Percentage of Handle	0.9%	1.6%
Surcharge:		
To Own Localities	3,139,141	3,411,208
To Localities Outside Region	2,765,325	3,089,389

Of Suffolk OTB's total handle, \$150.4 million, or 81.2% was wagered on simulcast races. This represents a decrease in simulcast handle of \$4.1 million, or 2.7% from 1990. Suffolk distributed a total of \$5.9 million in surcharge revenue in 1991.

The simulcasting of NYRA races into 12 Suffolk OTB facilities, including one simulcast theater, accounted for \$106 million or 81.1% of the NYRA handle in Suffolk OTB, a decrease of \$3.1 million, or 3.6% from 1990. The daily average handle for the simulcast locations was \$28,516 per branch, a decrease of \$1,235 or 4.1% from 1990. Suffolk's contract with NYRA expires on June 30, 1992. The contract provides for payment of 1.5% of net simulcast handle over the statutory rate, not to exceed 6.5% at simulcast branches, and 2.5% over statutory rates, not to exceed 7.5% at the simulcast theater. Under the terms of the contract, Suffolk paid NYRA \$1.6 million in contractual payments and \$5.4 million in statutory payments based on simulcast handle. Suffolk distributed \$4.1 million in NYRA surcharge revenue.

Finger Lakes was simulcast into 11 branches and the simulcast theater for 35 NYRA dark days, and for 15 additional days during the NYRA Saratoga meet. This generated handle of \$3.8 million, an increase of \$424,000 or 12.7% over 1990. The daily average was \$6,286 per simulcast branch, a decrease of \$2,431 or 27.9% from 1990, due to an increased number of simulcasts. Under the terms of its agreement with Finger Lakes, Suffolk paid \$52,500 or \$1,500 per day in contractual payments (for NYRA dark days) and \$119,702 in statutory payments based on simulcast handle

during 1991. Suffolk distributed \$47,000 in surcharge revenue from Finger Lakes.

Suffolk simulcast Monticello races for four Saturdays in April 1991. Monticello was trying a 10 a.m. post time. Suffolk's branches do not open until 11:30 a.m. and Monticello was simulcast only until the NYRA 1 p.m. post time. Therefore, Monticello simulcasting was limited. Suffolk attributed \$21,000 of handle to these simulcasts. No contractual payments were made.

Harness races from Yonkers were simulcast into 11 branches and one simulcast theater during 1991. Yonkers Raceway's handle at the simulcast facilities was \$39.2 million or 92.8% of Suffolk's handle at that track. Yonkers simulcast handle decreased \$3.7 million or 8.6% from 1990. This continuing decline has been a cause for concern in Suffolk. The cost of keeping a branch open at night has not gone down.

Evening simulcasting of Yonkers races resulted in an average daily handle of \$9,377 per branch, a decrease of \$1,340 or 12.5% from 1990. The simulcast of the Yonkers matinee averaged \$6,207 per day, a decrease of \$775 or 11.1% from 1990.

The contract with Yonkers expired on February 28, 1990, but simulcasting continues. Under its terms, it calls for a minimum payment of \$500 per evening, except for Sunday evenings when Yonkers receives 0.5% of simulcast handle. Payments are on an ascending scale, from 0.5% of handle up to \$90,000 to 1.3% of handle over \$210,000 for all wagers placed after 7 p.m. Yonkers received \$186,000 in contractual payments and \$1.8 million in statutory payments based on simulcast handle during 1991. Suffolk distributed \$1.3 million in surcharge revenue from Yonkers. Negotiations for a new written agreement continue.

The Racing Law authorized OTB corporations to accept wagers on out-of-state thoroughbred race tracks when the non-profit racing association (NYRA) is not conducting racing. In addition, the Board may designate up to 15 thoroughbred and five harness races run outside an OTB region as races of special interest on which OTB may accept wagers. During 1991, Suffolk OTB accepted wagers on seven out-of-state tracks on NYRA dark days. Total handle for these dark day tracks was \$3.3 million, an increase of \$476,000 or 16.8%. Wagering was also conducted on 15 thoroughbred races and two harness races of special interest. The two series of races known as the Breeders' Cup (thoroughbred) and Breeders' Crown (harness) were each designated by law as one race of special interest. Suffolk OTB's handle totaled \$2.5 million, an increase of \$799,000 or 45.7% for the 16 special events. (Note: The Breeders'

Cup, held in New York in 1990, was in Kentucky at Churchill Downs in 1991, and accounted for \$594,000 of the increase in special events handle.) All out-of-state wagering amounted to \$5.9 million for Suffolk OTB.

In addition to payments made to the tracks for simulcasting, the corporation has a simulcast vendor who is responsible for the encoding, uplinking and satellite transmission of Yonkers simulcasts. This vendor also provided the downlink for all other simulcasts at Suffolk facilities. Suffolk paid \$380,000 in 1991 for this service.

Suffolk has vending machines in nine telebranches which supply hot and cold drinks, candy, snacks, sandwiches and cakes. Suffolk receives rent for space but does not share sales revenue. Suffolk received \$20,000 for the space rental in 1991.

Through 1990, Suffolk moved and/or modernized seven branches. All of these facilities offer bettors attractive surroundings, with simulcast viewing areas, table areas near the vending machines and restrooms. Relocating branches, enlarging the simulcast theater, adding restrooms to all branches, and other improvements cost the corporation approximately \$1.5 million through 1990. In January 1991, the Copiague branch moved to a new site in Amityville. This branch has a large theater area, a glassed-in smoking section, vending machines with tables and chairs, and a large open area. There are eight cashier windows and four SAMs (self-activated machines). Suffolk spent \$410,000 in late 1990 and early 1991 to open this branch. Most Suffolk simulcast branches have now been modernized, and all Suffolk branches are in compliance with the Board's restroom rule. There are no plans, at present, for further modernization.

There are 41 SAMs in Suffolk. A "bill acceptor" was recently installed at Tel-A-Race which enables customers to purchase a voucher without standing in line at a cashier's window. Suffolk does not keep statistics on the use of SAMs. Observation indicates that customers in the simulcast theater have been more accepting of the SAMs than customers in OTB branches in general. However, numbers to verify this are not available.

On January 26, 1990, 15 Tiny Tims were installed at Tel-a-Race. These individual terminals permit customers who have telephone betting accounts or have opened a "daily" account to make wagers while sitting at the bar or in the restaurant at the simulcast theater.

Because they were rarely used, 11 Tiny Tims were removed, leaving four. There are also three Tiny Tims at "remote" locations, (i.e. home or office). Total handle in 1991 was \$111,000, of which \$42,000 was from remote units.

There was little response to Suffolk's attempt to supply these miniature betting terminals to customer's homes or offices.

Considered as a branch, telephone betting was the only branch in Suffolk, other than Tel-a-Race and West Islip, which showed an increase in handle in 1991. The 2,301 account holders wagered \$5.2 million in 1991, compared to \$4.6 million in 1990, an increase of \$602,000, or 13%. It is not possible for Suffolk to give an exact figure for surcharge-free accounts which require a minimum \$500 account balance at the time of the wager. Losing bets can drop the balance below the minimum and the surcharge is applicable. Suffolk feels that telephone betting would have been even higher if NYRA had not stopped the cable show from Capital OTB.

Suffolk reported no criminal activity in 1991. Occasionally, police were called to remove a disruptive bettor from a branch, but there were no incidents that required a police report.

In January 1991, a study was submitted to Suffolk's Board of Directors which projected a savings of \$352,000 per year. The plan called for a phase out of the services of the security company which supplied guards for the branches and replaced these guards with corporate in-house security personnel. The Board agreed to the proposal, and it was implemented shortly thereafter. A new security department was formed, comprised of a director and three roving, full-time supervisors. The balance of the department is comprised of part-time personnel, some of whom have law-enforcement backgrounds. These part-time personnel are assigned a number of branches and visit each of them daily. Tel-A-Race and three of the busier simulcast branches continue to be serviced by a security company. However, by March 31, 1992, all the contracted guards will be gone. The busier branches will then have fixed-post security personnel who are Suffolk OTB employees, and will be readily identifiable as such. The balance of the branches will be covered by roving security personnel.

TEL-A-RACE - 1991 UPDATE

Suffolk's simulcast theater, called "Tel-A-Race", opened in May 1986. In 1989, the facility was doubled in size, enabling the company to offer a full-size restaurant and a second large theater area. The attractive facility also includes a bar with alcoholic beverage service, a snack bar, a small lounge area and an additional open area. The two theater areas have large screen televisions, and many more televisions are scattered throughout the facility. The theater pays track prices on simulcast races. There is an admission charge of \$5.00 and a dress code. The

simulcast theater accounts for 22% of total handle in Suffolk.

NYRA handle in 1991 totaled \$28.6 million or \$92,409 per day, compared to \$27 million or \$86,804 per day, an increase of \$5,605 or 6.5% over 1990. This represents an increase of \$1.7 million in NYRA handle compared to 1990.

At Yonkers, 1991 handle totaled \$10.7 million or \$29,705 per day, a decrease of 0.2% from 1990.

Finger Lakes handle was \$794,000 or \$15,885 per day, compared to \$575,000 or \$17,984 in 1990, a decrease of \$2,099 or 11.7%. In 1991, Suffolk simulcast Finger Lakes daily during NYRA's Saratoga meet. In 1990, Finger Lakes was simulcast only on NYRA dark days.

The balance of handle at Tel-A-Race was comprised of \$114,000 in Monticello handle, plus out-of-state racing on NYRA dark days, and special events.

Admission income in 1991 totaled \$234,000. This was comprised of \$214,000 in admissions at \$5 each, or an average of 118 people per day; plus 61 annual passes at \$150 each, and 142 discounted annual passes at \$75 each. The sale of the racing newspapers and "tip" sheets, together with jacket rental generated \$108,000 in additional income. Suffolk received \$61,000 from the restaurant vendor in rental payments. The restaurant's furnishings and equipment are owned by Suffolk and leased to the concessionaire.

Suffolk continues its efforts to publicize the simulcast theater, primarily to improve evening attendance and handle. A Group Sales Department was established in 1991 to advance this effort. Local cable stations were used to advertise the facility in August, September and October, and there were print ads in "Harness Eye" and some editions of the "Pennysaver". Suffolk continues to offer Sunday brunches, which are frequently sold out. Friday night "Happy Hours" and prize fights have not been very successful. The facility is filled to capacity only for major horse races.

NASSAU REGIONAL OFF-TRACK BETTING CORPORATION

Nassau Regional Off-Track Betting Corporation consists of one county, Nassau, on Long Island. Nassau OTB began 1991 with 21 branches and ended the year with 20 branches. Nassau OTB conducted 51 simulcast operations in 1991. Twelve branches simulcast thoroughbred races from the New York Racing Association (NYRA). Thirteen branches simulcast thoroughbred races from Finger Lakes Race Track. Thirteen

branches simulcast harness races from Yonkers Raceway, and 13 branches simulcast harness races from Monticello Raceway.

One track, NYRA's Belmont Park, is located in Nassau County. Within its region, Nassau OTB handles wagers on the three NYRA tracks (Belmont, Aqueduct, Saratoga) and two harness tracks (Yonkers, Monticello). Simulcast operations at Nassau OTB remain limited because of the statutory track consent requirements and the proximity of Nassau OTB's branches to the local tracks.

In 1991, Nassau OTB handled \$153 million on thoroughbred races and \$43.9 million on harness races for a total of \$197 million, a decrease of \$17.7 million or 8.3% from 1990. This total accounts for 10.8% of all the New York State OTB handle in 1991. For the third year in a row, Nassau OTB ranks third in the State in terms of total betting handle. Based on its total \$197 million handle for 1991 (as compared to \$214.7 million in 1990), Nassau generated the following:

	<u>1991</u>	<u>1990</u>
Statutory Payments:		
N.Y. State	\$ 3,007,017	\$ 3,225,194
Breeders' Fund	1,206,775	1,330,051
Tracks (incl. contractual)	11,367,184	12,229,925
Total Operating Expenses	17,936,381	17,452,033
Percentage of Handle	9.1%	8.1%
Net Earnings to Own Localities	4,612,456	7,283,337
Percentage of Handle	2.3%	3.4%
Surcharge:		
To Own Localities	4,818,392	5,391,720
To Localities Outside Region	2,957,276	3,324,204

Of Nassau OTB's 1991 total handle, \$119.9 million or 60.7% was wagered on simulcast races. This is a decrease of \$6 million or 4.8% from 1990.

The simulcasting of NYRA races into 12 Nassau OTB branches showed a 1991 total simulcast handle of \$83.2 million, a decrease of \$2.2 million or 2.5% from 1990. The daily average handle for these simulcast locations was \$23,817 per branch, compared to \$24,724 in 1990, a decrease of \$907 or 3.7%. This accounted for 59.1% of the total NYRA handle of \$140.6 million at Nassau OTB.

Finger Lakes races were simulcast into 13 branches for 55 days as compared to 12 branches for 49 days in 1990. This generated a simulcast handle of \$3.8 million, a daily average handle of \$5,342 per branch, a decrease of 8.9% from 1990. Finger Lakes simulcast handle increased \$83,000 or

2.2% over 1990. This accounted for 78% of the total Finger Lakes handle of \$4.9 million at Nassau OTB.

The simulcasting of harness races from Yonkers, including matinees into 13 branches, showed a 1991 total simulcast handle of \$31.1 million, a decrease of \$4.4 million or 12.4% from 1990. This accounted for 76% of the total Yonkers handle of \$41 million at Nassau OTB. The daily average handle for these simulcast locations was \$8,223 per branch, as compared to \$10,819 in 1990, a decrease of \$2,596 or 32%.

The simulcasting of harness races from Monticello into 13 branches in 1991 showed a total simulcast handle of \$281,000 a decrease of \$1.3 million or 81.9% from 1990. This accounted for 9.2% of the total Monticello handle of \$3.1 million at Nassau OTB. The daily average handle for these simulcast locations was \$1,964 per branch, as compared to \$4,405 in 1990, a decrease of \$2,441 or 55.4%.

In 1991, Nassau OTB simulcast Monticello for 11 days compared to 31 days in 1990. Also, Monticello Raceway experimented during April 1991 by running Saturday morning programs before the Nassau OTB branches opened.

Nassau OTB also accepted wagers on various out-of-state race tracks. The Racing Law authorized OTB corporations to accept wagers on out-of-state thoroughbred race tracks when the non-profit racing association (NYRA) is not conducting racing. In addition, the Board may designate up to 15 thoroughbred and five harness races run outside an OTB region as races of special interest on which OTB may accept wagers. During 1991, Nassau OTB accepted wagers on seven out-of-state tracks on NYRA dark days. Total handle for these dark day tracks was \$4.7 million, compared to \$4.1 million in 1990, an increase of \$591,000 or 14.5%. Wagering was also conducted on 15 thoroughbred races of special interest and two harness races of special interest. The two series of races known as the Breeders' Cup (thoroughbred) and the Breeders' Crown (harness) are each designated by law, as one race of special interest. Nassau OTB's handle totaled \$2.9 million for the 17 special events, compared to \$2.8 million in 1990. All out-of-state wagering amounted to \$7.5 million for Nassau OTB, compared to \$7 million in 1990, an increase of \$545,000 or 7.8%.

Permanent authorization for in-state simulcasting was enacted into law on July 2, 1990. A contract with NYRA was signed for the period July 2, 1990 through and including June 29, 1992. The arrangement called for Nassau to pay 1.5% above the statutory rate on all NYRA wagers in simulcast branches. Based on this contract, Nassau OTB paid NYRA \$1.2 million in simulcast contractual payments and \$4.2 million in statutory payments based on simulcast handle for

the 12 branches. Nassau OTB distributed a total of \$6.6 million in surcharge revenue on total NYRA handle.

Nassau OTB negotiated a contract with Finger Lakes Race Track, effective April 9, 1991 through December 31, 1991, to simulcast the entire Finger Lakes card for each Tuesday in 1991 from April 9 through December 3, and five days a week during the Saratoga/NYRA meet. The agreement called for statutory payments, plus a simulcast commission of one percent regardless of the number of simulcast branches. On this basis, Nassau OTB paid Finger Lakes \$23,000 in statutory payments based on simulcast handle and \$38,000 in simulcast contractual payments. Surcharge payments on total Finger Lakes handle in 1991 were \$30,000.

Nassau OTB has no written contract with Yonkers Raceway. It continues to simulcast on a day-to-day basis. Negotiations for a long-term agreement are taking place with Yonkers' request for additional commissions, causing a re-evaluation of the harness simulcast program. The most significant change in the Yonkers' simulcast to Nassau OTB has been the addition of the Green Acres and Franklin Square branches and the elimination of Yonkers' evening simulcasts to Bethpage and Glen Cove. Compensation is based upon a minimum payment of \$300 a day with an additional 0.5% above the statutory rate for all wagers placed after 7 p.m., up to \$90,000 a day. The percentage increases as the handle increases. As a result of this ascending scale agreement, Nassau OTB paid Yonkers Raceway \$143,000 in simulcast contractual payments and \$1.5 million in statutory payments based on simulcast handle for its 13 branches. Nassau OTB distributed a total of \$828,000 in surcharge revenue on total Yonkers wagers.

Nassau OTB's agreement with Monticello Raceway called for no simulcast contractual payments. Nassau OTB paid \$15,000 to Monticello in statutory payments based on simulcast handle. Nassau OTB distributed \$56,000 in surcharge revenue on total Monticello wagers during 1991.

Nassau OTB's simulcast vendor was paid a total of \$289,000 in 1991 for providing the simulcast signal and other services.

Nassau OTB's commitment to screen activated machines (SAMs) continues. At the close of 1991, 18 branches had approximately 165 SAMs as compared to the close of 1990 when 16 branches had approximately 160 of these machines. In 1991, the SAMs generated a handle of \$48 million. In addition, ten branches have automated machines which convert cash into SAM vouchers.

In 1991, Nassau OTB continued its restructuring program, begun in 1988, which included the opening, closing

and relocation of various branches. Construction has been completed on the Farmingdale branch. Nassau OTB expanded the branch into two adjacent stores which it owns. The new expanded branch offers seating, big screen TV's, SAMs, restrooms and an enclosed smoking area.

Nassau does not offer beverages, food or the lottery in any branch. The only amenity in its branches is seating at four locations (Green Acres, Hicksville, Jericho and Farmingdale). Nassau currently has restrooms in 16 branches, (of which 13 are simulcast branches). Nassau's request for a waiver of the restroom rule for the remaining four branches is pending.

A new concept, conceived by corporate management in 1987, designed in 1988, became a reality in 1989 and continued to grow in 1990 and 1991. Nassau OTB installed video display screen units, called "Tiny Tims" in nine branches. The Tiny Tim operates as a direct telephone line into the telephone betting facility located at Suffolk OTB headquarters. The video screen displays updated racing information, such as current odds, late scratches, jockey changes and race profiles. A patron must have either a daily or a regular telephone betting account to use a Tiny Tim. No simulcasts are available on these units. (There are currently two Tiny Tims in Hicksville; three each in Jericho and Farmingdale; one each in Syosset, Plainview, North Lawrence, Glen Cove, North Massapequa and Bethpage.)

In 1991, the Tiny Tims generated a handle of \$3 million. In addition, Nassau OTB continues to conduct an on-going experiment involving remote Tiny Tims. In 1991, 17 remote Tiny Tims were loaned free of charge to Nassau OTB's best customers (bettors with sizeable telephone wagering accounts) while 25 others have been rented out at a dollar a day. This experiment generated a handle of \$6 million, a daily average handle of \$4,385. Nassau OTB has a total of 4,247 telephone wagering accounts, 100 of which are surcharge-free.

Nassau OTB experienced criminal activity at a non-simulcast branch. A robber held up a teller at the North Lawrence OTB branch and demanded money. The robber was handed \$2,650 and fled on foot.

In 1991, Dorothy Ganin, a Director of the Nassau Regional Off-Track Betting Corporation, pleaded guilty to a federal charge of conspiracy to defraud the IRS. Mrs. Ganin resigned from the Nassau OTB Board to avoid formal removal by the Racing and Wagering Board. To date, Nassau County has not replaced her.

For over 14 years, CDROTB's cable television operator (TV-12) provided racing information (video displays) to

Cablevision on Long Island. In addition, during the last few years, a delayed audio call of NYRA races has been transmitted. Beginning in 1991, that audio call was live. In September, NYRA claimed that Capital OTB did not have the authority to retransmit the live call beyond the Capital region. Capital OTB then ceased the transmission of the live call to Long Island cable systems. Litigation concerning this activity has been commenced by NYRA against Capital OTB in State Supreme Court, Schenectady County.

NEW YORK CITY OFF-TRACK BETTING CORPORATION

The New York City Off-Track Betting Corporation (NYCOTB), located entirely within the City of New York, is comprised of its five counties (New York, Kings, Richmond, Bronx and Queens). NYCOTB operated 99 branches at the beginning of 1991 and ended the year with 95 branches. One hundred forty-four simulcast operations were conducted during 1991. Twenty-five branches plus two simulcast theaters simulcast races from the New York Racing Association (NYRA) at Aqueduct and Belmont. Forty-one branches plus two simulcast theaters handled NYRA's Saratoga races. Thirty-five branches plus two simulcast theaters simulcast Finger Lakes on NYRA dark days. From July 24 through August 24, 25 branches simulcast Finger Lakes on Wednesdays and Fridays, and 43 branches on Saturdays. Twenty-four branches plus two simulcast theaters displayed matinee races from Yonkers. Thirteen branches plus two simulcast theaters displayed evening races from Yonkers. Thirty-six branches plus two simulcast theaters displayed Tuesday matinee races from Monticello, and 31 branches and two simulcast theaters displayed Saturday morning races from Monticello. On December 31st, 42 branches plus two simulcast theaters displayed matinee races from Monticello.

NYCOTB is part of the downstate OTB region which also includes the Catskill, Nassau and Suffolk OTB Corporations. The regional tracks handled by NYCOTB are NYRA (Aqueduct, Belmont and Saratoga), Yonkers and Monticello Raceways.

In 1991, NYCOTB handled \$767 million on thoroughbred races and \$137.2 million on harness races, for a total of \$904.2 million. Total corporate handle for 1991 decreased by \$57.3 million, or 6% from 1990. This total accounts for 49.7% of the money wagered off-track in the State. NYCOTB ranks first in the State in terms of total betting handle.

Based on its total \$904.2 million handle for 1991 (as compared to \$961.5 million in 1990), NYCOTB generated the following:

	<u>1991</u>	<u>1990</u>
Statutory Payments:		
N.Y. State	\$14,054,704	\$14,390,930
Breeders' Fund	5,218,201	5,563,235
Tracks (incl. contractual)	48,270,988	50,631,321
Total Operating Expenses	105,186,813	107,141,741
Percentage of Handle	11.6%	11.1%
Net Earnings to Own Localities	1,842,946	5,080,463
Percentage of Handle	0.2%	0.5%
Surcharge:		
To Own Localities	26,285,215	36,023,895
To Localities Outside Region	7,420,243	8,063,096

The total 1991 simulcast handle for NYCOTB was \$384.1 million, which is 42.5% of total corporate handle. This is an increase of \$6.3 million, or 1.7% over 1990.

The simulcasting of NYRA races into 25 NYCOTB branches and two simulcast theaters (plus 16 more branches during the five-week Saratoga meet) showed a 1991 total simulcast handle of \$294.4 million (42.4% of total NYRA sales), an increase of \$7.3 million, or 2.5% over 1990. The daily average simulcast handle was \$33,668 per branch, a decrease of \$3,462 or 9.3% from 1990. This was the result of a longer meet, which enabled NYCOTB to simulcast to more branches.

The simulcasting of Finger Lakes races into a constantly changing number of NYCOTB branches plus two simulcast theaters for 50 days showed a 1991 total simulcast handle of \$15.1 million (57.4% of total Finger Lakes sales), an increase of \$3.5 million or 30% over 1990. The daily average simulcast handle was \$6,193 per branch, an increase of \$1,889 or 44% over 1990. This was due to an increase in total betting, with fewer simulcast programs.

The evening harness simulcast from Yonkers Raceway into 13 branches plus two simulcast theaters showed a 1991 total simulcast handle of \$65.9 million, a decrease of \$930,000 or 1.4% from 1990. The daily average simulcast handle was \$14,574 per branch, a decrease of \$1,908 or 11.6% from 1990.

The intermittent matinee harness program from Yonkers into 26 branches plus two simulcast theaters showed a 1991 total simulcast handle of \$7.6 million, a decrease of \$1.1 million or 12.6% from 1990. The daily average simulcast

handle was \$5,796 per branch, a decrease of \$2,600 or 31% from 1990.

Therefore, on a total Yonkers handle of \$122.1 million, \$73.6 million (60.2%) was simulcast handle.

The simulcasting of matinee harness races from Monticello Raceway into a varying number of branches showed a 1991 simulcast handle of \$971,000. This was a decrease of \$400,000 from 1990 (or 28.5%). This substantial decline was due to the decrease in simulcast programs. The daily average matinee simulcast handle was \$2,881 per branch, a decline of \$916 (or 24.1%) from 1990.

NYCOTB also accepted wagers on various out-of-state race tracks. The Racing Law authorized OTB corporations to accept wagers on out-of-state thoroughbred race tracks, when the non-profit racing association (NYRA) is not conducting racing. In addition, the Board may designate up to 15 thoroughbred and five harness races run outside an OTB region as races of special interest, on which OTB may accept wagers. During 1991, NYCOTB accepted wagers on seven out-of-state tracks on NYRA dark days. Total handle for these dark day tracks was \$33.9 million, an increase of \$5.9 million or 21% over 1990. Wagering was also conducted on 15 thoroughbred races of special interest and two harness races of special interest. The two series of races known as the Breeders' Cup (thoroughbred) and the Breeders' Crown (harness) are each designated by law as one race of special interest. NYCOTB's handle totaled \$13.4 million for the 17 special events, an increase of \$3.8 million or 40% over 1990. (Note: The Breeders' Cup was run in New York in 1990, thus accounting for the smaller 1990 handle.) All out-of-state wagering amounted to \$47.2 million for NYCOTB in 1991, an increase of \$9.6 million or 26.5% over 1990.

A new contract between NYRA and NYCOTB was signed on November 19, 1990. The contract runs from July 1, 1990 through November 30, 1993. For simulcast branches and enhanced telebranches, NYCOTB will pay NYRA \$1 million per year, in addition to statutory payments; 6.5% of daily net handle for simulcast theaters; and \$10,000 per year for B-Mac decoders.

The contract also contained provisions specifying the number of simulcast branches allowed in each of the five boroughs, as well as the number of enhanced telebranches and simulcast theaters allowed. NYCOTB also gained the right to shift simulcast locations, within the terms of the contract, should existing branches be closed.

Based on this contract, NYCOTB paid NYRA \$1.8 million in statutory payments and \$1.9 million in simulcast contractual payments in 1991.

Under its contract with Finger Lakes, commencing April 1, 1991 and concluding on March 31, 1992, NYCOTB paid \$2,000 per day for each day it accepted Finger Lakes simulcasts, in addition to statutory payments. NYCOTB paid Finger Lakes a total of \$70,000 in simulcast contractual payments and \$840,000 in statutory payments based on 1991 simulcast handle. Surcharge revenue of \$996,000 on Finger Lakes races was distributed by NYCOTB.

Under its five-year contract with Yonkers Raceway (which expired June 30, 1990), NYCOTB had an ascending scale arrangement whereby wagers placed after 7 p.m. were calculated on a percentage of a predetermined handle figure. In no event did NYCOTB pay Yonkers less than \$750 for each evening of simulcasting, excluding Sundays. As a result of this agreement, NYCOTB paid Yonkers Raceway \$366,000 in simulcast contractual payments and \$5.7 million in statutory payments based on simulcast handle for 1991. Surcharge revenue of \$4.1 million on Yonkers races was distributed by NYCOTB.

The proposed new contract between NYCOTB and Yonkers awaits final review and approval. The draft provides that, during the period commencing July 1, 1990 to and including June 30, 1995, NYCOTB agrees to make statutory payments to Yonkers, plus a fee of \$340,000 per year for simulcasting. Payments made by NYCOTB to Yonkers for the period July 1, 1990 through the date the contract is signed, shall be applied to the first year's (7/1/90 - 6/30/91) \$340,000.

Further, if the simulcast tax credit provision is not extended to include simulcast theaters, then commencing July 1, 1991 and until such time legislation is enacted, NYCOTB will pay \$355,000 per year for Yonkers' signals (in addition to statutory payments).

In 1991, NYCOTB had a record total telephone betting handle of \$40 million, or 4.4% of total corporate handle. This was a huge increase of \$10.7 million, or 26.8% over 1990. The substantial increase in NYCOTB phone betting is probably the result of NYCOTB suspending the surcharge on all telephone accounts. As a result of this change, telephone betting handle has been cannibalized from adjacent OTB corporations, as well as from NYCOTB area branches.

NYCOTB paid no simulcast contractual payments to Monticello for 1991. However, \$781,000 was paid in statutory payments based on simulcast handle for 1991. Surcharge revenue of \$556,000 on Monticello races was distributed by NYCOTB.

The simulcast vendors for both thoroughbred and harness programs were paid a total of \$804,000 in 1991.

Income from vending machines in seven branches generated \$6,600. Program sales amounted to \$198,000, with a resulting net loss of \$2,200 after expenses. Other sales included Sports Eye, \$454,000 in gross sales - \$191,000 in revenue; Racing Form, \$22,000 in gross sales - \$2,600 in revenue; Metro Turf, \$18,000 in gross sales - \$6,700 in revenue.

NYCOTB's contract with Fonawin Corporation, disseminator of official OTB information and results (via a "976" phone number), expired on December 31, 1991. Effective January 1, 1992, the Board approved NYCOTB's request to operate the information and results service in-house. NYCOTB estimated the cost of purchasing its own mass announcement equipment to be approximately \$15,000, and its profit to be between one-half to one million dollars per year. This is to be compared with the expired contractual arrangement, whereby OTB and Fonawin had split revenue on a 50/50 basis. NYCOTB's 50% share of the phone service revenue in 1991 amounted to \$629,000.

Amid much fanfare and publicity, NYCOTB took part in a new lottery game as part of the City's "Safe Streets-Safe City" program. This game went on sale in OTB branches in September, 1991. The projected earnings were earmarked for anti-crime, education and youth programs. At \$2 per ticket, sales for the year ending 1991 fell far short of goals. NYCOTB's net revenue amounted to a mere \$13,900, nowhere near original projections.

Two new Board Members were appointed during 1991: Linda Chin and Jack Olivero, both of whom are attorneys. They were appointed in February, 1991. Board member Anna Maria Carrillo, resigned in January, 1991. A number of other personnel changes occurred during the year. Irwin Katz, Senior Vice President for Finance, was dismissed; and Tina Carroll-Gay, Vice President for Marketing, resigned. William Hall was appointed Vice President of Finance and Chief Financial Officer in February, 1991. In January 1992, NYCOTB announced that Mr. Hall "was no longer with us". Other appointments included Lorraine Melton as Vice President of Marketing, and Sandra Elaissen, as Secretary to the Corporation.

In February 1991, NYCOTB exercised the optional second year of its contract with the John C. Mandel Security Bureau, Inc., for unarmed security guards at OTB headquarters, branch offices, warehouses, garages and other locations. During this period, NYCOTB also initiated a pilot program to reduce costs and improve security guard performance.

During 1991, a number of criminal incidents were reported by NYCOTB. These included: three armed robberies,

totaling over \$10,000; two attempted robberies; two assaults/robberies, totaling over \$10,000; one burglary (of construction tools at a new branch site); one theft of a customer's winning ticket for \$358, and one robbery/kidnapping/grand larceny. In addition, law enforcement personnel answered four complaints of bookmaking, and made 55 bookmaking arrests in or near OTB facilities. NYCOTB's Security and Investigations Department continues to work closely with the New York City Police Department, to apprehend perpetrators and prevent repetitions.

On August 8, 1989, a new branch opened with a 25-year lease on Williamsbridge Road, The Bronx. It replaced two nearby small branches. This facility was intended to be an enhanced telebranch. However, NYCOTB's contract with NYRA did not provide for NYRA simulcasts to this new facility. A temporary solution was agreed to on October 28, 1989. NYRA races were permitted to be simulcast on the first floor only, without any patron amenities. A final resolution to allow simulcasting to the enhanced telebranch (upstairs portion) was reached as a result of the 1990 contract between NYRA and NYCOTB. This enhanced telebranch officially opened on January 24, 1991. Patron amenities include an elevator, comfortable seating, food, alcoholic and non-alcoholic beverage service. NYCOTB charged a \$3 admission for this facility. Despite high hopes held by NYCOTB for eventual success of this facility, the concessionaire quickly pulled out of the agreement in February 1991. NYCOTB promptly requested permission from the Board to suspend admission fees during cessation of food and beverage service.

In January 1992, NYCOTB amended its plan of operation to operate the entire facility as a regular simulcast branch. NYCOTB determined it would not resume operations in the upstairs portion as an enhanced telebranch. It should be noted that this branch incurred construction costs of over \$800,000 in 1990 before opening. The daily handle for this facility has ranged from \$24,000 to \$36,000.

A new branch opened at 110 Lafayette Street, Manhattan on March 29, 1991. This replaced another branch, a half block away, at 254 Canal Street, which closed the day before. Due to innumerable delays, design changes and other problems, NYCOTB found itself in the position of paying rent for the Canal Street facility while simultaneously awaiting completion of the Lafayette Street branch, on which rent was also being paid. Both branches are located in Chinatown, which is an extremely profitable area for OTB operations. It should be noted that Lafayette Street incurred construction costs of over \$800,000 in 1991.

In November 1991, a new branch opened at 45 Remsen Avenue, Brooklyn. It replaced a branch on Church Avenue, which closed earlier in the year. The Remsen Avenue branch incurred construction costs of over \$176,000 in 1991. The daily handle for this facility has ranged from \$13,000 to \$16,000.

In January 1992, a new branch opened at 2112 Rockaway Parkway, Brooklyn, replacing a nearby branch at 2034 Rockaway Parkway. This new branch incurred over \$176,000 in construction costs in 1991-1992. During January 1992, daily handle for this facility ranged from \$12,000 to \$15,000.

The Board adopted a rule requiring restrooms in every off-track betting facility unless good cause satisfactory to the Board could be shown. NYCOTB's policy requires the installation of restrooms at all new facilities. By the end of 1991, there were nine locations which had restrooms. NYCOTB was granted a waiver by the Board, for 40 branches. In the remainder, NYCOTB plans to install restrooms.

NYCOTB intends to continue taking advantage of more stable business conditions created by long-term simulcast contracts. It will continue to consolidate branches into more modern, efficient and streamlined operations.

In addition to the opening of a new telebranch at 110 Lafayette Street, NYCOTB proposes an additional telebranch at 517 Seventh Avenue, Manhattan. Management also intends to retrofit and reconfigure a number of branches in the years to come, as well as cut costs wherever feasible. By the end of 1992, NYCOTB will have new ticket-issuing machines at many branches, as well as SAM'S (screen-activated machines). Improved capacity will also be available to the OpCen (Operations Center) at headquarters, resulting in better video displays of odds, updates and payoffs.

NYCOTB continues to seek legislative changes lifting restraints on the number and location of branches where food and beverages can be served, and explore the possibility of legislation which would legalize betting on professional sports. NYCOTB anticipates further streamlining of branch operations in 1992.

In November 1991, NYCOTB considered the necessity of acquiring the services of an outside financial advisor, in connection with a review of restructuring alternatives available to the Corporation. The Board eventually approved a contract with Morgan Stanley and Company, Inc. to provide these services.

NYCOTB'S INSIDE TRACK - 1991 UPDATE

NYCOTB's first simulcast theater, called the "Inside Track", continued to be profitable in 1991. This facility, located at 1011 Second Avenue, in mid-Manhattan, has seating for approximately 150 people. It offers full restaurant service including alcoholic beverages. The 5% surcharge on winning bets on simulcast races is not applicable at this facility. A \$5 admission fee is charged.

During 1991, total handle was \$40 million, a \$3.9 million decrease or 8.9% from 1990. This is still the largest handle of any NYCOTB facility, but the first time since opening that handle has dropped. The daily average thoroughbred handle was \$82,238, a decrease of \$6,063 or 6% from 1990, and the 1991 daily average harness handle was \$28,055, an increase of \$9,359 or 25% over 1990. Total paid attendance for 1991 was 56,073, a decrease of 5,450 or 8.9% from 1990. Per capita thoroughbred wagering was \$532, a decrease of \$237, or 30.8% from 1990, and \$181 for harness, an increase of \$529, or 80.7% from 1990. Total per capita wagering was \$713, the same as 1990.

Revenue generated from the Inside Track amounted to \$2.7 million to the racing industry, \$752,000 to the State of New York and \$1.6 million to New York City. Total revenue from all 1991 admissions was \$280,000, of which \$11,600 was paid in State admission taxes. Total revenue from all concession operations for 1991 at the Inside Track amounted to \$30,000.

Due to structural problems with its roof, the "Inside Track" may eventually have to be relocated. This is difficult to accomplish due to the time needed to lease another site and obtain required approvals. In addition, there are the logistics of new construction. There continues to be a well organized, highly vocal community opposition; they not only oppose any new location for a theater, but they continue to attempt to shut down all OTB branches in New York City, as a "blot on the community".

NYCOTB'S SELECT CLUB - 1991 UPDATE

NYCOTB's second simulcast theater, called "Skyward - The Select Club", is located at 165 Water Street in lower Manhattan's financial district. It accommodates 350 patrons. Alcoholic beverages and full restaurant service are available in a modern attractive setting. Track prices are paid on simulcast races. A \$5 admission fee is charged. Operating for its fourth year, this facility's handle has shown its first decline. Total simulcast handle in 1991 was \$32.2 million, a \$7 million decrease, or 17.8% from 1990. The daily average thoroughbred handle was \$80,370, a decrease of \$17,452, or 17.8% from 1990. The

daily average harness handle was \$8,690, a decrease of \$5,217, or 37.5% from 1990. Total paid attendance for 1991 was 47,540, a decrease of 15,534, or 24.6% from 1990. Per capita wagering for thoroughbred races was \$612, a decrease of \$39, or 6% from 1990, and \$66 for harness races, a decrease of \$370, or 84.9% from 1990. Total 1991 per capita wagering was \$678, an increase of \$54, or 8.7% over 1990.

Revenue generated from the Select Club amounted to \$2.2 million to the racing industry, \$619,000 to the State of New York and \$942,000 to New York City. Total revenue from 1991 admissions was \$238,000. Of this figure, \$9,400 was paid in State admission taxes. Total revenue from all concession operations at the Select Club amounted to \$16,900 in 1991.

Of considerable importance to NYCOTB's image and profitability is the continued financial health of the Select Club. Not only have there been serious legal problems with the former concessionaire (cited in the 1990 Simulcast Report), and unsuccessful attempts to collect monetary judgements won in court, 1991 saw a cessation of food and beverage service for the first four months. A contract was finally signed with a new concessionaire. Its terms provided that, no later than May 1, 1991, food and beverage service were again to be made available to the public. NYCOTB's concessionaire met that deadline.

TRACK TO TRACK SIMULCASTING WITHIN NEW YORK STATE
NEW YORK RACING ASSOCIATION (NYRA) - SARATOGA TO AQUEDUCT

NYRA's 1991 Saratoga thoroughbred meet covered a 30-day period between July 24 and August 26, 1991. The 1991 total attendance for the simulcast dates at Aqueduct was 191,529 compared to the 1990 total attendance of 162,265 (24 days), an increase of 29,264 or 18%. The total simulcast handle was \$36.7 million as compared to \$29.9 million in 1990, an increase of \$6.8 million or 22.7%. During this period, daily average attendance was 6,384 (6,761 in 1990) and daily average handle was \$1.2 million, comparable to 1990, resulting in a \$192 daily average per capita betting (\$184 in 1990). During this period, Saratoga Race Track's on-track handle was \$100.2 million, an increase of \$10.8 million over the corresponding period in 1990, while the total on-track attendance increased 25,530, resulting in a daily average of \$3.3 million and 24,380 respectively.

NYRA'S gross pari-mutuel revenue was \$7 million from the Saratoga to Aqueduct simulcast and \$210,000 from admissions, concessions and newsstand sales. The State of New York received \$1.1 million in tax revenue, as compared to \$912,000 in 1990; the Thoroughbred Breeding and Development Fund received \$184,000 compared to \$149,000 in 1990. NYRA's horsemen received (as accrued purse obligations) \$1.3 million, an increase of \$200,000 over

1990. Since simulcasting was from one facility of this franchised racing association to another of its track facilities, no contractual agreement was required.

In 1991, NYRA's "profit" from simulcasting Saratoga to Aqueduct was \$2.7 million. In 1985, a statutory amendment directed that simulcast profits be retained by NYRA rather than the New York State Thoroughbred Racing Capital Investment Fund. As a result, the simulcast profit, \$2.7 million, is included in any other profit NYRA made during 1991, and is thereby subject to the State's franchise tax on NYRA.

TRACK TO TRACK SIMULCASTING: NYRA TO FINGER LAKES RACE TRACK

Finger Lakes conducted simulcasting on NYRA races for 95 days during the periods January 2 through March 28, and December 4 through December 31, 1991. Finger Lakes Race Track (FLRT) had an agreement with its horsemen's association in 1991 to pay their purse account 1% from simulcasting. Simulcasting on NYRA races was conducted before and after the racing season. Finger Lakes horsemen received (as accrued purse obligations) \$73,000 compared to \$105,000 in 1990.

As a result, the 1991 total attendance was 38,332 (95 days), compared to 47,219 (110 days) in 1990, a decrease of 8,887 or 18.8%. Daily average attendance was 403 (429 in 1990), a 6.1% decrease. The daily average handle was \$77,110 (\$81,662 in 1990), a 5.6% decrease. Daily average per capita betting remained at \$190, comparable to 1990. The total simulcast handle in 1991 was \$7.3 million, as compared to \$8.9 million in 1990, a decrease of \$1.6 million or 18%.

From simulcast handle, FLRT retained \$742,000 and earned only \$9,000 in ancillary income because free admission and parking were offered due to construction in the grandstand and clubhouse. New York State received \$184,000 in tax revenue, and the Thoroughbred Breeding and Development Fund received \$41,000. NYRA received \$475,000 pursuant to a new contract which provided that FLRT pay 6.5% of the total simulcast handle. NYRA provided the uplink and transmission of the simulcast signal, while FLRT was responsible for the transmission of wagering data to NYRA.

Batavia Downs, Buffalo Raceway, and Finger Lakes Race Track mutually agreed and consented to allow each other to simulcast without restriction through and inclusive of June 30, 1992.

FLRT reported a profit of \$330,000 from NYRA simulcasts.

TRACK TO TRACK SIMULCASTING: NYRA TO SARATOGA RACEWAY

Saratoga Raceway conducted 280 days of simulcasting NYRA races during 1991, compared to 287 days in 1990. The 1991 total attendance was 124,355 compared to 134,346 in 1990, a decrease of 9,991 or 7.4%. The 1991 total simulcast handle was \$17.9 million, compared to \$19.8 million in 1990, a decrease of \$1.9 million or 9.6%. Daily average attendance dropped from 468 in 1990 to 448 in 1991. The daily average handle was \$65,652 (\$69,250 in 1990). Daily average per capita betting dropped slightly to \$146 from \$148 in 1990. On-track harness handle was \$26.9 million, a decrease of \$2 million, while attendance decreased 4,183 to 347,139 in 1991. Comparisons of the on-track harness dates show a daily average decrease in attendance of 107, or 5.4% from 1990, and a decrease in daily average handle of \$17,816, or 11% from 1990.

Saratoga Raceway retained \$1.9 million from its 1991 simulcasting of NYRA races, in addition to \$195,000 in admissions, concessions and program sales. Tax revenue to the State of New York was \$295,000 and the Thoroughbred Breeding and Development Fund received \$93,000. NYRA received \$1.2 million pursuant to a contract which provided that Saratoga Raceway pay NYRA 6.5% of all simulcast handle.

Pursuant to a contractual agreement, Saratoga Raceway's horsemen received 1.5% of NYRA simulcast handle at Saratoga for days when there was on-track harness racing. If there was no harness racing on simulcast days, horsemen did not receive any purse accruals. Saratoga Raceway's horsemen received (as accrued purse obligations) the sum of \$166,000 in 1991 from NYRA's track to track simulcasts.

Saratoga Raceway reported a profit from NYRA simulcasts of approximately \$255,000.

TRACK TO TRACK SIMULCASTING: NYRA TO YONKERS RACEWAY

Yonkers Raceway conducted 306 days of simulcasting NYRA races during 1991, compared to 167 days in 1990. During 1990, the NYRA to Yonkers Raceway simulcasts were halted for a considerable period of time, as a consequence of the dispute between Catskill OTB and Yonkers Raceway. The 1991 total attendance was 613,000 compared to the prior year's attendance of 331,000. The 1991 total simulcast handle was \$102.4 million compared to \$56.4 million in 1990, an increase of \$46 million or 81%. Daily average attendance increased from 1,980 in 1990 to 2,005 in 1991, an increase of 1.3%. Daily average simulcast handle dropped from \$337,636 in 1990 to \$334,474 in 1991, a decrease of \$3,162 or 0.9%.

From the simulcast handle, Yonkers Raceway retained \$9.3 million and earned \$834,000 in ancillary income from admissions, concessions and program sales. New York State received \$1.9 million in tax revenue, and the Thoroughbred Breeding and Development Fund received \$515,000. NYRA received \$6.6 million pursuant to a new contract which provides that Yonkers Raceway pay 7% of total simulcast handle to NYRA. NYRA provides the uplink and transmission of the simulcast signal, while Yonkers Raceway is responsible for the transmission of wagering data to NYRA.

Pursuant to a contractual agreement, Yonkers Raceway paid its horsemen 2.5% of the gross NYRA simulcast handle (as accrued purse obligations) in 1991. Yonkers' horsemen received the sum of \$2.5 million in 1991 from NYRA's track to track simulcasts.

Yonkers Raceway reported a profit of \$3.1 million from the simulcast of NYRA races.

TRACK TO TRACK SIMULCASTING: NYRA TO VERNON DOWNS

Vernon Downs conducted 101 days of simulcasting NYRA races during 1991, compared to 112 days in 1990. The 1991 total attendance was 21,713 compared to 19,093 in 1990, an increase of 2,620 or 13.7%. The 1991 total simulcast handle was \$2.4 million compared to \$2 million in 1990, an increase of \$338,000 or 3.6%. Daily average attendance dropped from 170 in 1990 to 157 in 1991. The daily average handle was \$18,066 (\$18,273 in 1990). Daily average per capita betting rose to \$110 from \$107 in 1990.

Vernon Downs retained \$383,000 from its 1991 simulcasting of NYRA races, in addition to \$13,000 in admissions and program sales. Tax revenue to the State of New York was \$38,000, and the Thoroughbred Breeding and Development Fund received \$12,000. NYRA received \$151,000 pursuant to a new contract, which provided that Vernon Downs pay NYRA 6.5% of all simulcast handle. In addition, Vernon Downs sought to receive the simulcast from Saratoga Race Track for the first time. Vernon Downs and NYRA went to court over this matter regarding the rate of payment for said simulcast. Vernon Downs ultimately paid NYRA 8% for that meet for receipt of the Saratoga Race Track signal.

Pursuant to a contractual agreement, Vernon Downs' horsemen received 50% of the net revenue from the NYRA simulcast. Vernon Downs' horsemen received (as accrued purse obligations) the sum of \$23,900 in 1991 from NYRA's track to track simulcasts.

Vernon Downs reported a profit from NYRA simulcasts of approximately \$43,000.

TRACK TO TRACK SIMULCASTING: NYRA TO MONTICELLO RACEWAY

Monticello Raceway conducted 310 days of simulcasting NYRA races in 1991, compared to 89 days in 1990. The 1991 total attendance was 44,245 compared to 15,795 in 1990, an increase of 28,450 or 180%. The 1991 total simulcast handle was \$6.5 million compared to \$1.7 million in 1990, an increase of \$4.8 million or 290%. Daily average attendance dropped from 177 in 1990 to 142 in 1991. Daily average per capita betting dropped sharply from \$106 in 1990 to \$53 in 1991. On-track handle decreased \$9.9 million while attendance increased by 38,557 in 1991. There were 230 on-track racing days in 1990, compared to 211 in 1991. Comparisons by date show on-track harness racing's daily average attendance declined by 46, a 3% decrease from 1990, and a decline in daily average handle of \$29,592 or 15.1%.

Monticello Raceway retained \$660,000 from its 1991 NYRA simulcasts, and earned \$88,000 in ancillary income from admissions, concessions and program sales. Tax revenue to the State of New York was \$104,000 and the Thoroughbred Breeding and Development Fund received \$33,000. NYRA received \$426,000 pursuant to a contract, which provided that Monticello Raceway pay NYRA 6.5% of all simulcast handle.

Pursuant to a contractual agreement, Monticello Raceway's horsemen received \$166,000 or 2.5% of the gross NYRA simulcast handle (as accrued purse obligations) in 1991.

Monticello Raceway reported a profit of \$95,000.

TRACK TO TRACK SIMULCASTING: NYRA TO BATAVIA DOWNS

Batavia Downs conducted 262 days of simulcasting NYRA races in 1991 compared to 23 days in 1990. The 1991 total attendance was 13,955 compared to 742 in 1990, an increase of 13,213. The total simulcast handle was \$3 million compared to \$124,000 in 1990, an increase of \$2.8 million. Daily average per capita betting rose to \$210 from \$167 in 1990. On-track harness handle decreased \$2.5 million to \$16.8 million and attendance decreased 18,221 to 184,355.

Batavia Downs retained \$487,000 from its 1991 simulcasting of NYRA, and earned \$4,000 in ancillary income from admissions, concessions and program sales. Tax revenue to the State of New York was \$47,000 and the Thoroughbred Breeding and Development Fund received \$15,000. NYRA received \$189,000 pursuant to a contract which provided that Batavia Downs pay NYRA 6.5% of all simulcast handle. Batavia Downs' horsemen received \$15,000 (as accrued purse obligations) which was 50% of the net profit when there was live racing on-track.

Batavia Downs reported a profit of \$21,000.

TRACK TO TRACK SIMULCASTING: NYRA TO BUFFALO RACEWAY

Buffalo Raceway conducted 254 days of simulcasting NYRA races from February 27 through December 31, 1991. This was the first full year Buffalo Raceway displayed NYRA simulcasts. The 1991 total attendance was 21,035 for a daily average of 83. The total simulcast handle was \$3.4 million for a daily average of \$13,288. Daily average per capita betting was \$160. On-track handle decreased \$2.6 million to \$20.7 million and attendance decreased 16,127 to 210,090.

Buffalo Raceway retained \$557,000 from its 1991 simulcasting of NYRA races and earned \$24,000 in ancillary income from admissions, concessions and program sales. Tax revenue to the State of New York was \$60,000 and the Thoroughbred Breeding and Development Fund received \$17,000. NYRA received \$213,000 pursuant to a contract which provided that Buffalo Raceway pay NYRA 6.5% of all simulcast handle. Buffalo's horsemen received \$30,000 (as accrued purse obligations) pursuant to an agreement which provided that Buffalo Raceway pay 1% of the simulcast handle when there was no live racing and 50% of the net profit when live racing was conducted.

Buffalo Raceway reported a profit of \$134,000.

TRACK TO TRACK SIMULCASTING: FINGER LAKES TO BATAVIA DOWNS

Batavia Downs conducted 158 days of simulcasting FLRT races in 1991, compared to 21 days in 1990. The 1991 total attendance was 7,414 compared to 1,000 in 1990, an increase of 6,414. The 1991 total simulcast handle was \$1.3 million compared to \$119,000 in 1990, an increase of \$1.1 million. Daily average attendance was 48; daily average simulcast handle was \$8,595, an increase of \$2,915.

From the simulcast handle, Batavia Downs retained \$241,000 and earned \$2,000 in ancillary income from admissions, concessions and program sales. New York State received \$28,000 in tax revenue, and the Thoroughbred Breeding and Development Fund received \$15,000. FLRT received \$88,420 pursuant to a contract which provided that Batavia Downs pay FLRT 6.5% of the total simulcast handle. FLRT provided the uplink and transmission of the simulcast signal, while Batavia Downs was responsible for the transmission of wagering data to FLRT.

Pursuant to a contractual agreement, FLRT paid its horsemen 3.25% of the total handle from simulcasting its races to Batavia Downs. FLRT's horsemen received \$44,000 (as accrued purse obligations) in 1991 from this simulcast.

Batavia's horsemen received \$8,000 (as accrued purse obligations) which was 50% of the net profit when there was live racing on-track.

Batavia Downs reported a profit of \$11,000 from the simulcast of FLRT races.

TRACK TO TRACK SIMULCASTING: FINGER LAKES TO BUFFALO RACEWAY

For the first time, Buffalo Raceway conducted 170 days of simulcasting FLRT races in 1991. The 1991 total attendance was 10,921. The 1991 total simulcast handle was \$1.6 million. Daily average attendance was 64; daily average handle was \$9,470. Daily average per capita betting was \$147.

From the simulcast handle, Buffalo Raceway retained \$298,500 and earned \$2,000 in ancillary income from admissions, concessions and program sales. New York State received \$33,400 in tax revenue, the Thoroughbred Breeding and Development Fund received \$8,000. FLRT received \$80,300 pursuant to a contract, which provided that Buffalo Raceway pay FLRT 6.5% of the total simulcast handle. FLRT provided the uplink and the transmission of the simulcast signal, while Buffalo Raceway was responsible for the transmission of wagering data to FLRT.

Pursuant to a contractual agreement, Buffalo Raceway paid its horsemen 1% of the total simulcast handle or \$10,600. Finger Lakes' horsemen received \$40,000 (as accrued purse obligations) in 1991 from this simulcast.

Buffalo Raceway reported a profit of \$63,000 for this simulcast.

TRACK TO TRACK SIMULCASTING: YONKERS RACEWAY TO VERNON DOWNS

Track to track harness simulcasts took place between Yonkers Raceway and Vernon Downs from January 2 through March 31 and November 14 through December 29, 1991. Vernon Downs conducted 116 days of simulcasting Yonkers' races compared to 112 days in 1990. Total attendance was 11,012 (compared to 10,946 in 1990) and total handle was \$1.4 million (\$1.3 million in 1990). Daily average attendance was 95 (98 in 1990) and daily average handle was \$11,714 (\$11,557 in 1990). Daily average per capita betting was \$102 (\$118 in 1990).

This simulcast was conducted when Vernon Downs was not racing. Yonkers' horsemen received \$33,000 (as accrued purse obligations), which was half of Yonkers' 5% contractual share of the handle. Vernon Downs' horsemen received \$13,300 (as accrued purse obligations).

Vernon Downs reported a profit of \$48,700.

TRACK TO TRACK SIMULCASTING: BUFFALO RACEWAY TO VERNON DOWNS

Track to track simulcasting of harness races between Buffalo Raceway and Vernon Downs took place for the first time between December 4 and December 29, 1991. Vernon Downs conducted 20 days of simulcasting Buffalo Raceway's races during this period. The total attendance was 1,824 and total handle was \$171,000. Daily average attendance was 91 and daily average handle was \$8,600. Daily average per capita betting was \$94.

This simulcast was conducted when Vernon Downs was not racing. Vernon's horsemen received \$1,800 (as accrued purse obligations). Vernon Downs paid 5% of the total simulcast handle to Buffalo Raceway. Buffalo Raceway received \$9,200 pursuant to the agreement. Buffalo Raceway's horsemen received 50% of that amount or \$4,600.

Vernon Downs reported a profit of \$6,700 for this simulcast.

TRACK TO TRACK SIMULCASTING: BUFFALO TO BATAVIA

Batavia Downs conducted 127 days of simulcasting Buffalo races during 1991, compared to 63 days in 1990. The total attendance was 18,325 in 1991, compared to 7,968 in 1990. Total handle was \$1.7 million in 1991, compared to \$816,000 in 1990, an increase of \$887,000 or 108%. Daily average attendance was 144 and daily average handle was \$13,416. Daily average per capita betting was \$93.

From simulcast handle, Batavia Downs retained \$310,000 and earned \$4,000 in ancillary income from admissions, concessions, parking, etc. New York State received \$35,000 in tax revenue and the Agriculture and New York State Horse Breeding Development Fund received \$17,000. Buffalo Raceway received \$111,000 pursuant to a letter agreement, which provided that Batavia Downs pay 6.5% on the first \$15,000 of handle, 7.5% on the next \$10,000 and 8.25% to \$50,000. The horsemen received 50% of that amount as accrued purse obligations.

This simulcast was conducted when Batavia Downs was not racing. Batavia Downs' profit was \$77,000. None of this amount was shared with its horsemen.

TRACK TO TRACK SIMULCASTING: BATAVIA TO BUFFALO

Buffalo Raceway conducted 124 days of simulcasting Batavia races in 1991, compared to 40 days in 1990. The total attendance was 39,707 compared to 12,065, an increase of 27,642 or 229%. Total handle was \$4.3 million in 1991,

compared to \$1.3 million in 1990, an increase of \$3 million or 223%. Daily average attendance was 320 and daily average handle was \$34,702. Daily average per capita betting was \$108.

From simulcast handle, Buffalo Raceway retained \$83,000 and earned \$49,000 in ancillary income from admissions, concessions, parking, etc. New York State received \$91,000 in tax revenue and the Agriculture and New York State Horse Breeding Development Fund received \$43,000. Batavia Downs received \$212,000 as the sending track's share of commission and breakage. The horsemen at Batavia received 50% of that amount as accrued purse obligations.

This simulcast was conducted when Buffalo Raceway was not racing. Buffalo's horsemen received \$43,000 (as accrued purse obligations), which was 1% of the gross simulcast handle at Buffalo Raceway.

Buffalo Raceway's profit from the Batavia simulcast was \$169,000.

OTHER TRACK TO TRACK SIMULCASTS

Finger Lakes (FLRT) conducted simulcasting on Buffalo Raceway races on four (4) December 1991 matinee programs. Total attendance was 753 and total handle was \$28,960.

Saratoga Raceway conducted simulcasting on FLRT races on Tuesdays during the Saratoga Race Track meet and for part of September, for a total of 8 days. Total attendance was 1,036 and total handle was \$203,004.

Vernon Downs conducted simulcasting on Batavia Downs' races on November 11, 1991. Total attendance was 284 and total handle was \$14,322. Vernon's horsemen received \$143 (as accrued purse obligations). Vernon Downs reports no profit for this one day of simulcasting.

SIMULCASTING OF NEW YORK RACES TO OTHER JURISDICTIONS

CONNECTICUT OFF-TRACK BETTING

Off-track betting on New York State racing began in the State of Connecticut on April 29, 1976, at 11 off-track betting branches. Agreements were signed with the New York Racing Association (NYRA), Yonkers Raceway, Roosevelt Raceway, American Totalizator (AmTote) and the State of Connecticut. These agreements were approved by the Board.

In the 14 years since, three more off-track betting branches have been opened. In October 1979, the country's first teletheater - "Teletrack"- opened in New Haven and began simulcasting New York races into its facility. AmTote, a division of General Instruments, owned and operated Teletrack. In October 1990, a second teletheater was opened in Windsor Locks. Teletrack closed on February 29, 1992 and was replaced by a facility at the Plainfield Greyhound Park.

Connecticut's contract with AmTote expired on April 1, 1990. AmTote continued to provide services on a cost-plus basis until a request for proposals was prepared and bids submitted. The low bidder was AutoManagement Equipment, a partnership between Autotote and Plainfield Greyhound Park. This contract began on March 1, 1992. Though AmTote continued as the vendor through 1991, Connecticut considered the period a "transitional year", and changes were made throughout the year.

Five of the 14 branches closed during 1991: four in May and one in October. All branches now have live calls. Number betting replaced letter betting at the end of October. By March 1992, all branches were receiving updated odds.

New York tracks continue to be the mainstay of the Connecticut betting menu. Evening thoroughbred racing from New Jersey, and dog racing from Connecticut are now part of this regular fare. In late October, in an effort to fill the "dead time" (after NYRA ends and before evening programs begin), Connecticut started offering programs from California.

Due to budgetary constraints, Connecticut's Division of Special Revenue has been, thus far, unable to furnish the Board with statistical information for 1991.

NEVADA

In June 1989, NYRA and Caesars Palace of Las Vegas, Nevada, renewed their agreement to simulcast NYRA racing to the race book in Caesars Palace Hotel.

This agreement gave Caesars the exclusive right to the signal in the State of Nevada, including the right to disseminate the signal to other locations in Nevada. There are presently 48 licensed race books receiving the NYRA signal in Nevada.

This contract runs through December 31, 1992 and calls for NYRA to assume all transmission costs. In 1991, Caesars paid a fixed fee of \$5,500 per day. This is less than the maximum fee authorized by the State of Nevada. NYRA received \$1.7 million under this agreement in 1991, while expending \$306,000 in transmission costs.

In 1991, there was simulcasting of Yonkers Raceway harness races to several hotels in the State of Nevada. Yonkers Raceway received \$30,000 and its horsemen received half.

INTERNATIONAL SIMULCASTING

In November 1988, there was a technical amendment to Section 1084(b) of Title 18 of the United States Code, which expanded the definition of permissible areas for the transmission of wagering information to include foreign countries. NYRA entered into an agreement with Caliente Race Track and five affiliated Mexican race books to simulcast NYRA races daily. Caliente Race Track agreed to pay NYRA \$1,350 per day. In 1991, Caliente paid NYRA \$454,000 under the agreement.

NYRA continued simulcasting selected graded stakes to nine Canadian race tracks during 1991. During 1991, total handle on those races was \$1.5 million, of which NYRA received \$78,000. The horsemen were paid \$39,000 (as accrued purse obligations).

In addition, NYRA began simulcasting its races into various race book locations (approximately 38 locations) in the Caribbean. During 1991, NYRA received a daily fee of \$50 per race book for a total of \$392,000, compared to \$76,000 in 1990, an increase of \$316,000 or 415%.

SPECIAL EVENTS

On numerous occasions, New York stakes and feature races are simulcast to various out-of-state tracks. These simulcasts are the subject of specially negotiated agreements, approved by the Board, generally on a month-to-

month basis. These agreements must comply with the provisions of the federal Interstate Horseracing Act of 1978 (15 U.S.C. Section 3001).

NYRA simulcast selected races during 1991 to 78 out-of-state tracks or inter-track wagering sites (ITW). The guest or receiving track and its ITW's pay all charges to receive the race. NYRA is paid various commissions on the total pari-mutuel handle of that race. The total handle was \$87 million, of which \$5.3 million was paid to NYRA. The horsemen were paid \$2.6 million (as accrued purse obligations) and the New York State Thoroughbred Racing Capital Investment Fund received \$1.3 million.

Similarly, Yonkers Raceway simulcast many of its feature races to approximately 15 out-of-state tracks. The handle on these races was \$1.6 million, of which \$162,915 each was paid to Yonkers and its horsemen.

In addition, pursuant to the authorization contained in Section 1007(6)(a), some harness tracks entered into agreements with Canadian racetracks for reciprocal simulcasts of selected races. Specific financial data relating to these races is not available at this time.

INTERFACING TECHNIQUES

By law, all wagers must be combined into a single statewide pool. Without this requirement, pari-mutuel wagering off-track would result in differing pay-off prices on the same winning selections. Among the six OTB corporations and nine potential simulcast tracks, there could be up to 15 various pay-off prices throughout the State on each pari-mutuel pool in each race. Legislative policy directs uniform statewide pay-off prices, and to make this possible, all on-track and off-track wagering pools are required to be combined through a process called "interfacing".

Each track in the State maintains a separate computer system to issue and record wagers made at the track. (The actual betting system is maintained and operated by specialized vendors, and at present, Autotote has three tracks, AmTote has five tracks, United Tote has one track and one track operates its own system.)

In addition to the tracks' systems, off-track betting is conducted by separate off-track wagering systems. Nassau and Suffolk OTB regions share one system (under contract to Autotote), New York City and the Catskill OTB regions share another system (under contract with AmTote) and Capital and Western OTB regions' computers are headquartered in Schenectady (under contracts with Control Data Corporation).

INTERFACING OF OTB WAGERS WITH TRACKS

In the past few years, technological advances have made dramatic improvements in the interfacing procedures. Through a new process, the three separate OTB computer systems no longer have to feed into New York City OTB's system to be sent to the metropolitan tracks (Aqueduct, Belmont, Saratoga and Yonkers). The three OTB systems now send their data directly into these tracks, virtually simultaneously, and thus offer betting until one minute before the race, thereby substantially increasing last minute wagering. Last minute OTB betting on the races of other tracks in the State has also been improved. The metropolitan off-track betting corporations can now similarly interface with the upstate tracks, such as Finger Lakes.

Delays in effecting OTB payoffs also have been substantially eliminated. While off-track payoff prices are pegged to on-track prices, the OTB's, except at simulcast theaters, must deduct the statutory surcharge and enter the prices into their respective systems, but these delays have been eliminated and OTB prices are posted almost simultaneously with on-track prices.

Accordingly, the time for "churning" (i.e., the tendency of winning bettors to bet on upcoming races) has been increased. While ultimate last minute betting still has not been achieved, the delay in cashing OTB winnings appears to have been overcome.

The display of odds at OTB branches has improved. Simulcast facilities utilize track-generated information which displays win odds and probable exacta, quinella and double payoffs. The display of OTB-generated information is more limited than, and often lags behind, the track-generated information. The difference in time is attributed to the need for OTB to manually prepare the information for display after receiving it from the track.

INTERFACING TECHNIQUES AMONG TRACKS

Many of the problems of connecting different pari-mutuel on-track systems have been resolved. The law requires that all bets be combined at the sending track to assure uniform odds and uniform winning pay-off prices statewide. Each on-track pari-mutuel system, either directly or in combination with other tracks, interfaces its pools at the sending track. The track's tote computers "speak" to each other and transmit their bets from the receiving track's computer system to the sending track's system. The system also permits the sending track to transmit back the odds and prices to the receiving track's system for display to the public.

SIMULCASTING & THE COMMINGLING OF POOLS

In 1991, the Legislature enacted Section 907 of the Racing Law, which authorized the combining of New York wagers with wagers made in other states or foreign countries.

Pursuant to the amendment, NYRA simulcast its races to Oaklawn Park, Arkansas, as well as Lincoln Greyhound Park and Newport Jai Alai in Rhode Island. These receiving sites sent their pari-mutuel pools to NYRA. The handle for these mergers were \$2.6 million, \$9.6 million and \$1.5 million, respectively.

Yonkers Raceway simulcast its races to Hinsdale and Rockingham Park in New Hampshire, and these facilities sent their pari-mutuel pools to Yonkers Raceway for commingling. The handle for these mergers were \$1.4 million and \$2.3 million, respectively.

In addition, for the Yonkers Raceway to Vernon Downs simulcast, Vernon Downs commingled its pools (totaling \$1.3 million) at Yonkers Raceway.

TRANSMISSION AND SECURITY OF SIMULCAST SIGNALS

The secure transmission of audiovisual signals in New York State is accomplished by the following means:

SATELLITE - A television signal is sent from an "earth station" (uplink) to a specific transponder (channel) on a designated satellite. The transponder reflects the signal back to earth in a huge "footprint" pattern. The average footprint covers the continental United States as well as parts of Canada, Mexico and the Caribbean. On the ground, the signal is picked up by a dish-shaped antenna (downlink/dish). In order to prevent unauthorized recipients who have dishes from being able to receive and display the sound and picture, all racing television signals emanating from within New York State are encoded prior to being beamed to a satellite. The encoded signal contains an encrypted addressing system that activates only specified, authorized decoders.

NYRA transmits its simulcast signal utilizing an earth station located in the backstretch of Belmont Park. NYRA utilizes Scientific Atlanta's B-Mac encryption system.

In 1989, all other race tracks in New York State converted to the B-Mac system. The major simulcast vendor, pursuant to direction of the Board, undertook this project to help maintain a minimum level of signal security for the Empire State's racing simulcasts.

TERRESTRIAL MICROWAVE - A television signal transmitted point-to-point (line of sight). Depending on topography, this signal will travel only 25 to 40 miles before it must be amplified and retransmitted. In order to go long distances, this signal is directed over a string of microwave towers until it reaches its destination.

Terrestrial microwave signals from New York tracks are not encoded, with the exception of NYRA's microwave feed from Aqueduct to the earth station at Belmont on their private coded system. Another weakness of point-to-point transmission is that it may be intercepted along the path of the signal.

MULTIPOINT DISTRIBUTION SYSTEM (M.D.S.) - Broadcasts in a wide oval from the point of transmission. Depending on the height and wattage of the unit, the signal can travel 100 miles without loss of quality. In New York State, this system is used only by Capital OTB within the Albany area.

CABLE T.V. - Shielded coaxial cable used to carry the signal from the source to each designated receiver. This method of distributing a television signal is used primarily

as an in-house system for a track to feed its monitors via Closed Circuit TV (CCTV), or by a local cable company (CATV) to service its subscribers.

New York City OTB (NYCOTB) uses a franchised cable company to service some locations in Manhattan. NYCOTB and its franchised cable company installed a cable encryption system in 1986. This system, manufactured by Zenith, uses an addressing system to activate only specific decoders in OTB branches. During 1987, there were confirmed reports of unauthorized reception of this signal.

Capital OTB owns and operates a franchised cable company that produces TV-12. This station carries the "live call" of races while the screen displays only odds and prices to cable TV subscribers as well as other cable companies.

The revised simulcast legislation prohibits telecasts into homes and offices with a single exception. Only one experiment was allowed. In March, Capital OTB and Saratoga Raceway conducted the experiment which is described in detail in the section on Capital OTB (above).

It is simple and inexpensive to steal the programming, if access can be gained to the cable. Since 1985, when such a theft was discovered in New Lebanon, New York and successfully prosecuted by Board personnel, no other breach of this system has been detected.

DEDICATED LINE (LAND LINE) - "Hard line" system usually leased from the local telephone company to carry programming from the source to specific authorized locations. All OTB regions use this system to some degree.

Security is difficult because the system can be tapped easily. There have been instances of tampering in the past, but due to successful prosecutions and the notoriety they received, there have been no further reports of this problem since 1988.

RECOMMENDATIONS

In accordance with the provisions of Section 1002(2) of the Racing, Pari-Mutuel Wagering and Breeding Law, the New York State Racing and Wagering Board respectfully submits the following recommendations for consideration and appropriate action by the Governor and the Legislature:

RECOMMENDATION #1

In July 1990, Chapter 346 of the Laws of 1990 continued the authorization for simulcasting on a permanent basis. In the course of reviewing the permanent statute, some minor, relatively technical problems have been identified.

The Board's annual certification requirement to the Commissioner of Taxation and Finance should be deleted when no credit for pari-mutuel taxes at harness tracks is applicable. This was introduced as S.4178/A.1214. It would eliminate a time consuming and costly process which offers no benefit to any entity. With the advent of simulcasting and resulting growth in OTB handle, no credit has been applicable for the past four years and none is anticipated in the foreseeable future.

Another Board proposal, S.4213/A.6952-A, would clarify an ambiguous situation relating to the imposition of the OTB surcharge on winning wagers on races that are not simulcast at simulcast theaters. The current law is completely silent with respect to the imposition or non-imposition of surcharge on such events. The Board's bill would merely codify existing practice. It would explicitly authorize OTB corporations which operate simulcast theaters to offer wagering opportunities on non-simulcast events, in conjunction with simulcast programs (like an OTB branch) and require surcharge to apply to these non-simulcast events.

Additional modifications to clarify the language of the 1990 statute have emerged during the Board's preparation of this report. The Board recommends that the following changes be made in Article X of the Racing Law:

A. Modify the language contained in Section 1000 to reflect the end of the experimental period and declare simulcasting to be a permanent integral part of the racing and wagering framework in New York State.

B. Specify in Sections 523, 905 and 905-a of the Racing Law that, when the Breeders' Cup series of races are held in New York, 15 other thoroughbred races of special interest be available annually for OTB corporations and race tracks.

The Board believes that Chapter 346 of the Laws of 1990 provided an opportunity for the entire industry to utilize simulcasting to its maximum extent as a tool to maintain handle. These technical changes are consistent with that end.

RECOMMENDATION #2

During the past several years, both the New York State government and the racing and wagering industry have focused a great deal of attention on the issues of integrity and accountability. The Board supports efforts to promote and insure professionalism, integrity and ethical conduct within all segments of the racing and wagering community.

The Board has recommended, as departmental legislation in 1989, 1990, 1991 and again in 1992, a series of proposals which would enhance the Board's oversight and regulatory functions with respect to OTB and help insure the integrity and accountability of this State's system of off-track betting.

The first proposal (S.4137/A.6764) would amend the Racing Law to empower the Board to impose monetary fines on off-track betting corporations and other persons or corporations participating in off-track betting. These fines could be imposed for violations of any provision of the Racing Law, the Board's Rules, Regulations and Directives, or the approved Plan of Operation for the conduct of off-track betting. Currently, the only sanction the Board can impose for a violation of the legal authority governing off-track betting is to suspend the entire Plan of Operation for a given corporation. This is clearly impractical. The Board believes that it makes sense to hold individuals at OTB accountable for their own actions. Accordingly, the Board recommends the prompt enactment of S.4137/A.6764.

The second proposal, S.4135/A.6772 would authorize the Chairman of the Board to designate a Board officer to preside at off-track betting hearings. Currently, the statute provides that the Chairman, a Board Member or the Board sitting en banc must preside at hearings involving off-track betting. This proposal will better facilitate the prompt scheduling of such hearings because of the availability of a greater number of individuals who may preside on a continuing basis. The Board would still be required to review the report and recommendation of the hearing officer, and only the Board could make findings of fact and the final determination.

The final element in the Board's "integrity" plan would authorize the Board to license any person, association or corporation participating in off-track betting. This

proposal is necessary for the purpose of maintaining proper control over the conduct of off-track betting. In order to insure the public's confidence in OTB and the integrity of the entire system of off-track betting, including its employees, authority for the Board to license OTB employees should be enacted into law.

With respect to the issue of accountability and integrity in the management of off-track betting, the Board has recommended the enactment of legislation which would bar a director of a regional off-track betting corporation from holding any position of employment with that off-track betting corporation.

The board of directors of an off-track betting corporation is responsible for the management of that corporation, including the appointment of its officers. It is not in the public interest to have directors also serve as paid employees of that corporation including the position of president and chief executive officer.

Under the common law doctrine of compatibility of office, dual employment is found to be contrary to public policy. In Formal Opinion No. 88-F1, Attorney General Abrams wrote:

"A director cannot effectively and impartially supervise himself nor can his colleagues on the board of directors exercise such supervision. Additionally, an appearance of impropriety would result. This dual employment would erode the natural checks and balances that flow from the employer-employee relationship to the detriment of corporate operations and public trust. Were this not prohibited, an entire board could serve as employees of the corporation creating conflicting interests and raising questions as to whether board decisions are made solely in the public interest".

The New York State Comptroller shares this concern. In recent audit reports, he concludes that service as a director of an off-track betting corporation, as well as its president and chief executive officer, is contrary to the doctrine of compatibility of office.

For the reasons set forth above, the Board recommends the enactment of S.4154/A.6775 in order to clarify the legal status of directors as employees, as well as insure that a system of internal checks and balances is present within the decision-making structure of off-track betting corporations.

Another integrity proposal limits the amendment made by Chapter 908 of the Laws of 1990. Under that amendment, a

public official or party officer who is ineligible for licensure under Section 107 of the Racing Law can defeat the purposes of that section by obtaining employment with an OTB corporation, thereby becoming eligible to participate in racing through Section 502. The 1990 law was not intended to let in everyone excluded under Section 107 through this new OTB exception.

To clarify this overly broad provision, the Board has submitted a Departmental Bill which has been introduced as S.4138/A.6767, to prevent unintended consequences created by the overly broad provision. It would also consolidate all restrictions on licensing in Section 107 where they properly belong.

The Board has a financial accountability proposal which is comprehensive legislation to improve certain financial and accounting practices of the State's off-track betting corporations. The Board urges the enactment of S.4136/A.6770, which reflects many recommendations made by the State Comptroller.

The State Comptroller has reported that certain current statutory authorizations result in confusion with respect to the accounting and financial reporting practices of the State's six off-track betting corporations. This proposal is designed to require uniform reporting of financial data (both on a monthly and annual basis), as well as require off-track betting corporations to conduct their financial activities in accordance with generally accepted accounting practices (GAAP), as promulgated by the State Comptroller.

The Board's final legislative proposal (Departmental Proposal #5-92) would require OTB corporations to establish a system of internal controls, including administrative and accounting controls to insure the integrity of operations. It would amend Section 2930.5 of the Public Authorities Law, to require each OTB corporation to implement a comprehensive system of internal controls, pursuant to the "Accountability, Audit and Internal Control Act" (Section 6 of Chapter 814 of the Laws of 1988). With OTB corporations handling millions of dollars daily, and subject to only limited oversight by the local governments, the potential benefit of enacting this legislation is significant.

Taken together, this recommended package of legislation would provide a firm basis by which the State of New York can insure that its system of off-track pari-mutuel wagering operates in an effective and efficient manner. These proposals are important to the Board, to enable it to exercise enhanced oversight and regulatory authority, as well as essential to maintain the public's trust and confidence in racing and wagering activities.

RECOMMENDATION #3

In 1990, the Legislature authorized wagering and simulcasting of up to 12 thoroughbred races of special interest to the State's race tracks and off-track betting facilities from locations outside the State of New York.

The Board recommends that the concept of simulcasting certain limited and defined special event races with significant public interest be explicitly extended to all currently authorized wagering opportunities. The Board has submitted legislation, A.9709, which would amend the applicable section of the Racing Law to provide for the simulcasting of harness races of special interest to all licensed simulcast facilities.

RECOMMENDATION #4

The 1991 in-home simulcast experiment conducted by Saratoga Raceway and Capital District Regional Off-Track Betting Corporation (discussed in detail in the Capital OTB section, supra) was inadequate to fully assess the potential of this technology.

Simulcasts directly into homes, businesses and commercial establishments may accommodate the shifting racing fan base. It appears that more and more fans desire to wager away from the track, as well as to have better access to wagering information and opportunities. However, to more fully understand this impact on pari-mutuel betting handle and attendance at existing race tracks and OTB facilities, a more extensive, comprehensive and consistent experiment is needed. The results of the limited experiment are inconclusive.

Therefore, the Board recommends that a more comprehensive one-year experiment allowing a regional OTB and a regional track be conducted. The experiment would be required to be conducted in a manner which would generate sufficient empirical data to enable the State's policymakers to make an intelligent determination for future activity. It would be desirable if a partnership concept between OTB and the track could be maintained, but not absolutely mandatory.

RECOMMENDATION #5

Some technological problems of simulcasting have inhibited its development and have been highlighted in this and prior Simulcast Reports, as well as the 1987 Report of the Legislative Commission on Science and Technology. They concern simulcast signal security and the efficient and effective transmission of wagering data.

The Board has concluded that a high level of integrity and security must be maintained. We recommend that Article X be amended to give the Board explicit statutory authority to prescribe and enforce minimum standards in relation to the methodology, equipment and means employed to safeguard and control the transmission of simulcast signals and wagering data.

RECOMMENDATION #6

Chapter 346 of the Laws of 1990 authorized the combining of New York wagers on horse races conducted in other states or foreign countries with wagers on such races made elsewhere only for those races of special interest designated in Section 905, 905-a and 906 of the Racing Law. The Board believes that this provision contained in Section 907 of the Racing Law should be extended to other out-of-state racing events.

In addition, under the same terms and conditions set forth in Section 907, the Board should have the flexibility to authorize common pools on out-of-state wagering authorized as an experiment, by Section 523 of the Racing Law. With the great advances in technology, this system of common pools can be another tool by which the racing and wagering industry continues to maintain its current handle levels and promote this exciting sport. An experiment could develop the data needed to evaluate this ability.

CONCLUSION

The foregoing has been a detailed analysis of simulcast operations during 1991. Significant investments in simulcasting and related facilities have been made by the various off-track betting corporations and race tracks. In the Board's view, these investments have generally yielded positive results. Simulcasting has been given the opportunity to develop. It has been the key element in stabilizing the total handle in New York State.

Many of the technical problems associated with simulcasting have been surmounted. Of more concern to the Board is the on-going conflict among various segments of the industry. A sense of apprehension and distrust pervades virtually all the relationships that exist within the racing and pari-mutuel wagering community. Several specific instances have been described in this and prior reports.

Clearly, the statutory system prior to 1990 did not function as well as it was designed to. In enacting Chapter 346 of the Laws of 1990, the State sought to establish a workable mechanism to resolve disputes by arbitration. The key element in this new system was its "make available" provision (i.e. a beneficiary of simulcasting must make simulcasting of its own races available to others). During 1991, there were indications that this policy was somewhat effective, although widespread mutual cooperation is still far from a realization.

Regrettably, various segments of the industry continue to act only for narrow, parochial and selfish gains and, we believe, mistakenly refuse to cooperate to further the public interest. The disappointing 1991 results indicate that industry leaders should meet together to devise mutual strategies to further the racing industry for the benefit of all. We will continue to try to bring about this necessary harmony.

APPENDICES

The following charts summarize both handle information and financial results during the calendar year ending December 31, 1991. All figures are unaudited and tentative. As such, they are subject to revision and correction.

COMPARISON OF COMBINED ON AND OFF-TRACE HANDLE 1991/1990

THOROUGHBRED	ON-TRACE		% OF		OFF-TRACE		% OF		COMBINED	
	1991	1990	INC/DEC		1991	1990	INC/DEC		1991	1990
THOROUGHBRED										
NYRA										
Aqueduct	\$394,236,329	\$428,835,800	-8.07%	\$669,914,438	\$721,551,940	-7.16%	\$1,066,150,367	\$1,150,387,740	-7.50%	
Belmont	301,493,513	355,944,955	-15.30%	664,356,168	529,652,952	-12.33%	765,049,681	885,597,907	-13.52%	
Saratoga	100,221,254	89,433,827	12.06%	136,459,503	114,078,499	21.73%	239,088,757	203,504,326	17.48%	
NYRA TOTAL HANDLE	\$795,951,096	\$874,214,582	-8.95%	\$1,273,129,789	\$1,365,275,391	-6.75%	\$2,069,000,005	\$2,239,489,973	-7.61%	
Intertrack Simulcast of NYRA at:										
Aqueduct (Belmont Meet)	\$0	\$5,441,522	-100.00%		\$721,551,940		\$0	\$5,441,522	-100.00%	
Aqueduct (Saratoga Meet)	36,480,562	29,894,065	22.03%				36,480,562	29,894,065	22.03%	
Finger Lakes	8,063,697	8,982,859	-10.23%				8,063,697	8,982,859	-10.23%	
Saratoga Raceway	10,359,977	19,874,687	-7.62%				10,359,977	19,874,687	-7.62%	
Yonkers Raceway	102,348,990	56,305,271	81.52%				102,348,990	56,305,271	81.52%	
Vernon Downs	2,303,528	2,046,549	16.47%				2,303,528	2,046,549	16.47%	
Monticello Raceway	6,363,797	1,600,171	278.76%				6,363,797	1,600,171	278.76%	
Batavia Downs	2,960,078	2,960,078	0				2,960,078	2,960,078	0	
Buffalo Raceway	3,375,101	0					3,375,101	0		
Intertrack Simulcast Totals	\$100,343,730	\$124,429,317	-44.94%				\$100,343,730	\$124,429,317	-44.94%	
TOTAL NYRA RACES	\$976,294,834	\$998,643,899	-2.24%	\$1,273,129,789	\$1,365,275,391	-6.75%	\$2,249,424,543	\$2,363,919,290	-4.84%	
Finger Lakes	45,723,410	43,510,565	5.07%	121,477,460	121,117,619	0.30%	\$167,200,406	\$164,636,184	1.56%	
Intertrack Simulcast of Finger Lakes at:										
Finger Lakes to Batavia	1,356,700	119,450	1035.00%				1,356,700	119,450	1035.00%	
Finger Lakes to Saratoga	203,002	0					203,002	0		
Finger Lakes to Buffalo	1,606,150	0					1,606,150	0		
Intertrack Simulcast Totals	3,165,852	119,450					3,165,852	119,450		
Total Finger Lakes Races	\$40,809,206	\$43,630,015	-11.33%	\$121,477,460	\$121,117,619	0.30%	\$170,366,354	\$164,755,634	3.38%	
TOTAL 16-STATE THOROUGHBRED	\$1,025,104,120	\$1,042,281,914	-1.64%	\$1,394,606,777	\$1,486,393,010	-6.18%	\$2,419,790,097	\$2,520,674,924	-4.31%	
Out-of-State Thoroughbred										
TOTAL THOROUGHBRED HANDLE	\$1,025,104,120	\$1,042,281,914	-1.64%	\$1,475,217,403	\$1,549,536,643	-4.80%	\$2,500,401,603	\$2,591,010,557	-3.53%	
HARNESS										
Yonkers Raceway	\$107,002,705	\$207,400,537	-9.84%	\$257,161,041	\$271,041,007	-5.40%	\$404,164,546	\$279,246,344	-7.32%	
Monticello Raceway	34,790,616	44,725,464	-22.20%	25,320,005	34,705,361	-27.21%	60,119,421	79,510,025	-24.39%	
Saratoga Raceway	26,933,162	20,970,064	-7.43%	14,510,734	14,104,879	2.59%	\$41,043,896	\$43,114,903	-3.00%	
Vernon Downs	27,979,710	30,452,454	-8.12%	5,205,607	5,595,754	-6.97%	33,105,317	36,040,200	-7.94%	
Batavia Downs	16,030,743	19,563,769	-13.93%	21,003,371	24,100,203	-12.00%	37,932,116	43,752,052	-13.30%	
Buffalo Raceway	20,691,158	23,315,222	-11.25%	20,001,075	23,177,736	-10.25%	41,003,033	46,492,950	-10.75%	
Syracuse Mile	1,976,726	2,130,905	-9.92%	173,663	177,242	-2.02%	2,100,389	2,316,227	-9.32%	
SUBTOTAL	\$316,170,020	\$356,570,495	-11.33%	\$344,267,096	\$373,911,062	-7.93%	\$660,430,716	\$730,401,557	-9.59%	
Barnes Intertrack Simulcasting										
Yonkers to Vernon	\$1,350,021	\$1,294,399	4.98%				\$1,350,021	\$1,294,399	4.98%	
Batavia to Buffalo	4,303,097	1,330,539	223.41%				4,303,097	1,330,539	223.41%	
Batavia to Vernon	14,322	0					14,322	0		
Buffalo to Batavia	1,703,768	815,942	100.01%				1,703,768	815,942	100.01%	
Buffalo to Vernon	171,122	0					171,122	0		
Buffalo to Finger Lakes	20,960	0					20,960	0		
Total Barnes Intertrack Simulcasting	\$7,580,090	\$3,440,880	120.30%				\$7,580,090	\$3,440,880	120.30%	
TOTAL HARNESS ON-TRACE AND INTERTRACK	\$323,750,910	\$360,011,375	-10.07%	\$344,267,096	\$373,911,062	-7.93%	\$660,430,716	\$733,922,437	-8.98%	
Out-of-State Harness										
TOTAL HARNESS	\$323,750,910	\$360,011,375	-10.07%	\$344,692,306	\$374,170,073	-7.00%	\$660,463,214	\$734,102,240	-8.95%	
TOTAL STATEWIDE HANDLE	\$1,340,935,030	\$1,402,293,289	-3.01%	\$1,819,909,707	\$1,923,707,516	-5.40%	\$3,160,044,017	\$3,326,000,005	-4.73%	

SIMULCAST PARI-MUTUEL HANDERS BY SIMULCAST LOCATIONS IN NEW YORK STATE 1991/1990
(In Thousands)

LOCATION TO TRACK:	Combined total		NYRA	Pinger Lakes		Yonkers		Monticello		Saratoga Raceway		Buffalo Raceway		Batavia Downs		
	1991	1990		1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	
Aqueduct	\$36,480	\$35,335	\$36,480	\$35,335 *												
Yonkers	102,349	56,385	102,349	56,385												
Saratoga Raceway	18,563	19,875	18,360	19,875	203	0										
Pinger Lakes	8,093	8,983	8,064	8,983			1,359	1,294							0	
Vernon Downs	3,928	3,341	2,384	2,047											0	
Monticello Raceway	6,364	1,680	6,364	1,680												
Batavia Downs	6,029	1,059	2,968	124	1,357	119									1,331	
Buffalo Raceway	9,284	1,331	3,375		1,606	0									4,303	
TOTAL	\$191,090	\$127,989	\$180,344	\$124,429 *	\$3,166	\$119	\$1,359	\$1,294	\$0	\$0	\$0	\$1,904	\$816	\$4,317	\$1,331	
AT OTB BRANCHES:																
New York City OTB	\$313,944	310,700	\$239,102	\$222,100	\$13,516	\$11,600	\$60,432	\$75,600	\$894	\$1,400						
Nassau OTB	118,327	126,100	83,169	85,300	3,820	3,700	31,065	35,500	273	1,600						
Suffolk OTB	108,802	116,700	77,347	82,100	2,977	2,800	28,457	31,800	21	1,600						
Catskill OTB	97,863	65,100	64,663	41,400	9,636	9,600	23,130	12,500	434	600						
Capital OTB	145,529	154,600	102,810	110,000	20,945	21,300	13,085	13,600	166	600	5,294	5,900	1,721	1,600	1,600	
Western OTB	162,864	177,510	78,947	88,300	44,620	45,500	6,835	6,900	285	410						
TOTAL	\$947,329	\$950,790	\$646,038	\$629,200	\$95,514	\$94,500	\$163,004	\$175,900	\$2,073	\$5,690	\$5,294	\$5,900	\$17,848	\$19,400	\$17,538	\$20,200
OTB TELETHEATERS																
New York City OTB	\$70,166	\$80,641	55,259	\$64,900	\$1,613	\$813	\$13,217	\$14,500	\$77	\$428						
Suffolk OTB	40,164	\$38,600	28,647	27,000	794	600	10,723	11,000	19	150	2,685	2,800	228	180	142	189
Capital OTB	35,444	\$33,919	24,657	23,900	3,600	2,900	4,113	3,800								
TOTAL	\$145,774	\$153,160	\$108,563	\$115,800	\$6,007	\$4,313	\$28,053	\$29,300	\$96	\$578	\$2,685	\$2,800	\$228	\$180	\$142	\$189
STATEWIDE TOTAL	\$1,284,193	\$1,231,939	\$934,945	\$869,429 *	\$104,687	\$98,932	\$192,416	\$206,494	\$2,169	\$6,268	\$7,979	\$8,700	\$19,980	\$20,396	\$22,017	\$21,720

* Includes Saratoga to Aqueduct and Belmont to Aqueduct

NOTE: In addition \$15.2 million was wagered on those out-of-state races of special interest (which are permitted by law to be simulcast) at OTB facilities (including simulcast theaters).

1991 OFF-TRACK BETTING TOTAL HANDLE BY TRACK AND REGION

	NEW YORK CITY	NASSAU	SUFFOLK	CATSKILL	CAPITAL	WESTERN	TOTAL ALL REGIONS
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THOROUGHBRED							

NYRA							
Aqueduct	\$359,321,728	\$76,008,878	\$68,729,049	\$40,381,362	\$73,215,588	\$52,257,433	\$669,914,038
Belmont	262,823,708	49,873,300	48,609,308	27,762,376	50,753,452	24,534,024	464,356,168
Saratoga	71,322,834	14,749,167	13,305,751	8,312,238	23,947,509	7,222,004	138,859,503
NYRA TOTAL HANDLE	\$693,468,270	\$140,631,345	\$130,644,108	\$76,455,976	\$147,916,549	\$84,013,461	\$1,273,129,709
Finger Lakes	26,355,600	4,896,335	4,448,253	10,539,915	27,277,515	47,959,450	121,477,068
Total In-State Thoroughbred	\$719,823,870	\$145,527,680	\$135,092,361	\$86,995,891	\$175,194,064	\$131,972,911	\$1,394,606,777
Total Out-of-State Thoroughbred	47,131,898	7,476,954	5,833,394	5,162,019	8,137,141	6,869,300	80,610,706
TOTAL THOROUGHBRED HANDLE	\$766,955,768	\$153,004,634	\$140,925,755	\$92,157,910	\$183,331,205	\$138,842,211	\$1,475,217,483
HARNESSE HANDLE							

Yonkers Raceway	\$122,066,303	\$40,880,791	\$42,201,833	\$25,200,175	\$19,501,540	\$7,311,199	\$257,161,841
Monticello Raceway	15,055,685	3,045,092	2,146,782	4,155,911	454,365	462,970	25,320,805
Saratoga Raceway					14,460,582	50,152	14,510,734
Vernon Downs					4,411,468	794,139	5,205,607
Batavia Downs					1,915,838	19,177,533	21,093,371
Buffalo Raceway					2,203,080	18,598,795	20,801,875
Syracuse Mile					44,574	129,089	173,663
Total In-State Harness	\$137,121,988	\$43,925,883	\$44,348,615	\$29,356,086	\$42,991,447	\$46,523,877	\$344,267,896
Total Out-of-State Harness	124,034	29,775	28,268	27,894	79,971	134,466	424,408
TOTAL HARNESSE HANDLE	\$137,246,022	\$43,955,658	\$44,376,883	\$29,383,980	\$43,071,418	\$46,658,343	\$344,692,304
TOTAL OFF-TRACK HANDLE	\$904,201,790	\$196,960,292	\$185,302,638	\$121,541,890	\$226,402,623	\$185,500,554	\$1,819,909,787

ON-TRACK AND TRACK TO TRACK SIMULCAST HANDLES AND ATTENDANCE
1991 AND 1990 COMPARED (EXCLUDES OFF TRACK BETTING)

TRACK	PROGRAMS - RACES		H A M D L E		A T I E R D A M C E	
	1991	1990	1991	1990	1991	1990
THROUGHBRED RACING						
Aqueduct	166	162	\$394,236,329	\$428,835,800	1,489,024	1,814,522
Belmont	114	126	301,493,513	355,944,955	1,326,783	1,716,105
Saratoga	30	24	100,271,254	89,433,827	731,395	705,865
NYRA ON-TRACK TOTAL	310	312	795,999,096	874,214,582	3,547,202	4,236,492
Intertrack Simulcasts of NYRA For:						
Aqueduct - (Saratoga Meet)	30	24	36,480,562	29,894,065	191,218	162,266
Aqueduct (Belmont Meet)	262	23	2,968,078	5,441,522	13,955	41,898
Batavia	254	110	3,375,101	8,902,859	21,035	21,035
Finger Lakes	95	89	6,363,797	1,680,171	37,979	47,219
Monticello	280	287	18,359,977	19,874,687	124,355	15,795
Saratoga Raceway	132	112	2,383,526	2,046,549	134,346	134,346
Vernon Downs	306	167	102,348,998	56,385,271	21,713	19,093
Yonkers Raceway	1669	830	180,343,738	224,429,317	613,390	300,683
NYRA INTERTRACK TOTAL	1669	830	480,343,738	559,914,421	1,147,751	752,042
TOTAL NYRA ON-TRACK AND INTERTRACK	480	473	976,294,834	998,643,899	4,694,453	4,988,534
Finger Lakes On-track	170	161	65,723,418	43,518,565	361,280	339,370
Finger Lakes Simulcast To Batavia	156	20	1,356,708	1,237,258	7,414	1,001
Finger Lakes Simulcast To Saratoga	8	—	203,002	—	1,036	—
Finger Lakes Simulcast To Buffalo	170	—	1,606,158	—	10,913	—
Total Finger Lakes, On-track and Intertrack	480	473	1,025,184,120	43,638,015	380,643	340,371
TOTAL THROUGHBRED HANDLES	1172	1185	1,025,184,120	1,042,281,914	5,075,096	5,328,905
HARNESS RACING						
On-Track:						
Yonkers Raceway	364	353	187,002,705	207,404,537	813,676	925,196
Monticello Raceway	210	230	34,798,616	44,725,464	309,978	348,535
Saratoga Raceway	187	179	26,933,162	28,970,064	347,139	351,322
Vernon Downs	155	155	77,979,710	30,452,454	331,210	336,451
Batavia Downs	129	133	16,838,743	19,563,769	184,355	202,576
Buffalo Raceway	127	128	20,691,158	23,315,222	210,090	226,217
Syracuse Hill	7	7	1,976,726	2,138,965	18,095	19,006
TOTAL ON-TRACK HARNESS RACING	1172	1185	316,170,820	356,570,952	2,214,543	2,409,303
HARNESS INTERTRACK SIMULCASTING						
Yonkers To Vernon	116	112	1,358,821	1,294,399	11,012	10,946
Batavia To Buffalo	124	40	4,303,097	1,330,539	39,707	12,065
Buffalo To Batavia	127	63	1,703,768	815,942	18,325	7,968
Buffalo To Vernon	20	—	171,122	—	1,824	—
Buffalo To Finger Lakes	4	—	28,960	—	753	—
Batavia To Vernon	1	—	14,372	—	284	—
TOTAL HARNESS INTERTRACK SIMULCASTING	392	215	7,580,090	3,440,880	71,905	30,979
TOTAL HARNESS ON-TRACK AND INTERTRACK	1669	1658	81,349,935,030	81,982,233,289	7,361,544	7,769,187
COMBINED HANDLES						
INTERTRACK BETTING DAYS EXCLUDED FROM PROGRAMS RACED TOTALS,						

STATEMENT OF REVENUES NET OF EXPENSES - 1991 PRELIMINARY FIGURES

	NEW YORK CITY	NASSAU	SUPPOLK	CATSKILL	CAPITAL	WESTERN
Non-Simulcast Handle	\$520,091,520	\$78,633,615	\$34,889,776	\$23,679,276	\$43,374,938	\$21,115,953
Simulcast Handle	384,110,270	118,326,677	150,412,862	97,862,614	183,027,685	164,384,601
Net Handle	\$904,201,790	\$196,960,292	\$185,302,638	\$121,541,890	\$226,402,623	\$185,500,554
OTB TAKE OUT AND BREAKAGE	171,488,381	37,769,390	35,528,403	23,461,043	43,592,938	37,121,114
Less Statutory Payments To:						
N.Y. State	\$14,054,704	\$3,007,017	\$2,909,632	\$1,850,067	\$3,466,372	\$2,828,527
Breeder's Fund	5,218,201	1,206,775	1,150,531	\$755,990	1,349,918	1,162,714
Track (Inc. Contractual)	48,270,988	11,367,184	11,405,928	7,322,884	13,405,554	12,190,476
City of Albany					328,857	
Total Statutory Payments	\$67,543,893	\$15,580,976	\$15,466,091	\$9,928,941	\$18,550,701	\$16,181,717
Net Racing Revenue	\$103,944,488	\$22,188,414	\$20,062,312	\$13,532,102	\$25,042,237	\$20,939,397
OTHER REVENUE:						
Admission Income	\$280,365		\$237,427		\$166,735	
Lottery Income	13,902		79,930	157,434	575,116	272,312
Concession Income	855,592		87,289	23,092	651,069	59,910
Derived from Surcharge	294,263	71,236		196,508	447,036	342,674
Interest Income	878,729	111,616	86,812	241,890	193,383	70,141
Other	762,420	177,571	399,438	83,270	776,778	288,160
Total Operating Revenue	\$107,029,759	\$22,548,837	\$20,953,208	\$14,234,296	\$27,852,354	\$21,972,594
OPERATING EXPENSES:						
Branch Expenses	\$87,207,871	\$12,926,237	\$14,390,415	\$9,315,596	\$17,363,945	\$15,442,687
Corporate Expenses	17,978,942	5,010,144	4,892,635	3,622,732	10,240,438	3,963,357
TOTAL OPERATING EXPENSES	\$105,186,813	\$17,936,381	\$19,283,050	\$12,938,328	\$27,604,383	\$19,406,044
	11.63%	9.11%	10.41%	10.65%	12.19%	10.46%
EARNINGS TO OWN LOCALITIES	\$1,842,946	\$4,612,456	\$1,670,158	\$1,295,968	\$247,971	\$2,566,550
Less Contribution to Cap. Acquis. Fund				691,937		1,723,512 *
NET EARNINGS TO OWN LOCALITIES	\$1,842,946	\$4,612,456	\$1,670,158	\$604,031	\$247,971	\$843,038
	0.20%	2.34%	0.90%	0.50%	0.11%	0.45%
SURCHARGE TO OWN LOCALITIES	26,285,215	\$4,818,392	3,139,141	2,686,710	4,336,712	4,052,574
Total Benefits to Own Localities	28,128,161	9,430,848	4,809,299	3,290,741	4,584,683	4,895,612
SURCHARGE TO LOCALITIES OUTSIDE REGION	7,420,243	2,957,276	2,765,325	2,270,757	3,374,366	3,408,169
TOTAL BENEFITS TO ALL LOCALITIES	\$35,548,404	\$12,388,124	\$7,574,624	\$5,561,498	\$7,959,049	\$8,303,781
	3.93%	6.29%	4.09%	4.58%	3.52%	4.48%
Capital Acquisition Funds:						
Contributions from Net Earnings				\$691,937		\$1,065,000
Supplemental 1% Surcharge	4,750,264	1,118,090	818,506	727,354	1,095,639	1,122,175
Total Capital Acquisition Funds	\$4,750,264	\$1,118,090	\$818,506	\$1,419,291	\$1,095,639	\$2,187,175

*Includes \$658,512 expended and/or allocated to debt service on bonds and notes issued prior to July 1989.

NOTE: Percentages (%) are of Net Handle.

REVENUES AND EXPENSES 1991 - ALL TRACKS COMPARED (UNAUDITED FIGURES)

	<u>YONKERS</u>	<u>MONTICELLO</u>	<u>SARATOGA</u>	<u>VERNON</u>	<u>BATAVIA</u>	<u>BUFFALO</u>	<u>FINGER LAKES</u>
	1991	1991	1991	1991	1991	1991	1991
<u>OPERATING INCOME</u>							
On-track Commissions and Breakage	\$31,533,962	\$5,991,245	\$4,576,586	\$4,805,065	\$2,894,589	\$3,543,811	\$7,836,486
Off-track Commissions	12,149,023	2,072,014	4,664,477	1,465,933	2,376,005	1,996,846	4,821,913
Simulcast Commissions	11,579,236	659,764	1,993,184	495,611	1,173,540	1,515,626	2,184,699
Simulcast Tax Credits	2,150,158	13,109	57,060	-	134,818	152,534	446,141
Total Pari-Mutuel Commission	57,412,379	8,736,132	11,291,307	6,766,609	6,578,952	7,208,817	15,289,239
Other Operating Income	3,884,347	833,163	1,682,616	1,248,813	714,153	527,576	805,961
Total Operating Income	<u>61,296,726</u>	<u>9,569,295</u>	<u>12,973,923</u>	<u>8,015,422</u>	<u>7,293,105</u>	<u>7,736,393</u>	<u>16,095,200</u>

<u>OPERATING EXPENSES</u>							
Purse and Horsemen Benefits	24,717,105	4,450,960	4,572,806	3,129,500	2,848,078	3,130,538	8,127,744
Racing Department	1,333,021	325,630	278,107	268,890	283,161	394,140	1,415,801
Pari-Mutuel Expenses	5,200,854	742,165	1,358,301	1,181,022	986,106	1,308,270	1,821,015
Advertising and Promotion	1,882,349	202,382	603,010	258,087	86,080	495,965	597,134
Maintenance and Cleaning	8,230,094	1,162,372	1,328,911	600,643	460,254	714,771	1,548,195
Patron and Security	2,674,178	513,177	689,703	547,599	232,594	499,618	505,019
General and Administrative	11,112,637	2,804,554	2,905,107	1,930,619	1,851,589	1,141,914	1,358,252
Total Operating Expense	55,150,238	10,201,240	11,735,945	7,916,360	6,747,862	7,685,216	15,373,160
Depreciation	2,917,650	352,651	681,019	253,977	288,000	126,489	688,699
Total Racing Expenses	<u>58,067,888</u>	<u>10,553,891</u>	<u>12,416,964</u>	<u>8,170,337</u>	<u>7,035,862</u>	<u>7,811,705</u>	<u>16,061,859</u>

Profit from Racing	3,228,838	(984,596)	556,959	(154,915)	257,243	(75,312)	33,341
Capital Improvement Commission	-	360,574	287,904	227,737	209,280	241,879	835,309
PROFIT FROM RACING & CAP. IMPROV.	<u>3,228,838</u>	<u>(624,022)</u>	<u>844,863</u>	<u>72,822</u>	<u>466,523</u>	<u>166,567</u>	<u>868,650</u>

Net Other Income or (Expense)	343,181	249,527	(319,275)	176,172	1,374	(357,600)	71,065
Net Income/(Less before Taxes)	3,572,019	(374,495)	525,588	248,994	467,897	(191,033)	939,715
Less: Prov. for Income Taxes (Credit)	1,510,000	136,495	17,040	25,977	4,146	(2,526)	344,528
Net Income/(Loss)	<u>\$2,062,019</u>	<u>\$(238,000)</u>	<u>\$508,548</u>	<u>\$223,017</u>	<u>\$463,751</u>	<u>\$(188,507)</u>	<u>\$595,187</u>

SELECTED BALANCE SHEET CHANGES

Fixed Asset Additions	\$1,054,784	\$409,916	\$236,136	\$79,639	\$212,041	\$776,373	\$1,054,373
Dividends or Distributions	-	-	374,126	201,728	-	-	-
Capital Stock Recquired	-	-	350,000	25,242	-	-	-
Non-Operating Investments	Not Available	Not Available	-	-	-	-	-
Net Change Retained Earnings	<u>\$2,062,019</u>	<u>\$(238,000)</u>	<u>\$(79,750)</u>	<u>\$(2,427)</u>	<u>\$463,751</u>	<u>\$(188,507)</u>	<u>\$595,187</u>

**SUPPLEMENT TO TRACK REVENUES AND EXPENSES SCHEDULES
FOR "NET OTHER INCOME OR EXPENSE"
Detail of Summary Figure Shown for Each Track**

	Yonkers Raceway		Monticello		Saratoga Raceway		Vernon Downs		Batavia		Buffalo Raceway		Finger Lakes	
	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990
OTHER INCOME														
Interest or Investment Income	\$631,022	\$41,471	\$220,558	\$223,550	\$124,963	\$147,013	\$170,000	\$202,024	-----	-----	\$22,080	\$20,968	\$73,117	\$61,295
Rental of Facilities- Non-Racing Activities	431,965	431,817	-----	120,789	-----	-----	-----	-----	25,000	25,000	-----	-----	-----	-----
Gain on Sale of Property	930,914	-----	10,000	-----	22,500	5,350	-----	-----	-----	-----	-----	-----	-----	-----
Capital Improvement Comm. Deferral Reversed	-----	-----	-----	-----	-----	-----	-----	-----	123,427	-----	-----	-----	-----	-----
Other	106,824	-----	22,630	545	293,638	437,647	6,172	-----	-----	-----	9,640	-----	-----	-----
TOTAL OTHER INCOME	\$2,108,725	\$473,288	\$253,218	\$344,884	\$441,101	\$590,010	\$176,172	\$202,024	\$148,427	\$25,000	\$22,080	\$30,608	\$73,117	\$61,295
OTHER EXPENSE														
Interest Expense	\$367,363	\$500,883	\$3,691	-----	\$609,373	\$734,779	-----	-----	\$147,053	\$221,698	\$133,733	\$41,207	-----	-----
Lease Expenses	1,115,758	1,374,974	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Capital Improvement Comm. Deferred or Transferred	-----	-----	-----	-----	151,003	34,360	-----	-----	-----	63,763	241,879	272,447	-----	-----
Subsidiary Loss	Not Available	363,773	-----	51,426	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Other	282,423	263,652	-----	-----	-----	-----	-----	-----	-----	-----	4,068	4,524	2,052	3,060
TOTAL OTHER EXPENSE	\$1,765,544	\$2,503,282	\$3,691	\$51,426	\$760,376	\$769,139	---	---	\$147,053	\$285,461	\$379,680	\$318,178	\$2,052	\$3,060
NET OTHER INCOME (EXPENSE)	\$343,181	\$(2,029,994)	\$249,527	\$293,458	\$(319,275)	\$(179,129)	\$176,172	\$202,024	\$1,374	\$(260,461)	\$(357,600)	\$(287,570)	\$71,065	\$58,235

REVENUES AND EXPENSES 1990 - ALL TRACKS COMPARED (AUDITED FIGURES)

	YONKERS	MONTICELLO	SARATOGA	VERNON	BATAVIA	BUFFALO	FINGER LAKES
	1990	1990	1990	1990	1990	1990	1990
<u>OPERATING INCOME</u>							
On-track Commissions and Breakage	\$35,007,784	\$7,686,546	\$4,917,763	\$5,227,426	\$3,356,643	\$3,993,579	\$7,529,172
Off-track Commissions	12,776,580	2,448,691	4,770,526	1,544,941	2,664,033	2,186,603	4,940,058
Simulcast Commissions	7,121,824	169,629	1,986,513	353,464	531,563	606,626	1,760,263
Simulcast Tax Credits	2,297,527	62,761	60,067	-0-	152,764	167,168	424,250
Total Pari-Mutuel Commission	57,203,715	10,367,627	11,734,869	7,125,831	6,705,003	6,953,976	14,661,743
Other Operating Income	3,466,782	826,625	1,885,205	1,378,428	707,090	517,069	820,226
Total Operating Income	<u>60,670,497</u>	<u>11,194,252</u>	<u>13,620,074</u>	<u>8,504,259</u>	<u>7,412,093</u>	<u>7,471,045</u>	<u>15,481,969</u>

OPERATING EXPENSES

Purse and Horsemen Benefits	25,247,285	5,012,647	4,588,556	3,693,856	3,167,659	3,392,966	7,012,526
Racing Department	1,232,349	337,366	287,528	260,822	309,866	329,555	1,338,640
Pari-Mutuel Expenses	4,752,003	845,153	1,417,567	943,643	900,689	920,818	1,753,841
Advertising and Promotion	2,131,534	224,401	630,951	273,328	133,401	532,385	551,510
Maintenance and Cleaning	7,910,735	1,339,747	1,339,518	684,769	552,199	646,719	1,419,795
Patron and Security Expenses	2,381,415	483,938	711,570	554,897	242,124	457,525	491,263
General and Administrative	10,978,677	2,903,770	3,161,846	2,063,973	1,934,151	1,158,375	1,314,969
Total Operating Expense	54,633,998	11,147,022	12,137,536	8,475,288	7,240,089	7,438,343	14,682,544
Depreciation	3,117,020	372,942	701,943	284,058	239,511	225,039	692,118
Total Racing Expense	<u>57,751,018</u>	<u>11,519,964</u>	<u>12,839,479</u>	<u>8,759,346</u>	<u>7,479,600</u>	<u>7,663,382</u>	<u>15,374,662</u>

Profit from Racing	2,919,479	(325,712)	780,595	(255,087)	(67,507)	(192,337)	107,307
Capital Improvement Commission	-0-	469,678	309,501	246,857	242,968	272,447	836,959
PROFIT FROM RACING & CAP. IMPROV.	<u>2,919,479</u>	<u>143,966</u>	<u>1,090,096</u>	<u>(8,230)</u>	<u>175,461</u>	<u>80,110</u>	<u>944,266</u>
Net Other Income or (Expense)	(2,029,994)	293,458	(179,129)	202,024	(260,461)	(287,570)	58,235
Net Income/(Loss) before Taxes	889,485	437,424	910,967	193,794	(85,000)	(207,460)	1,002,501
Less: Prov. for Income Taxes (Credit)	651,502	175,000	26,510	13,723	(42,494)	7,600	412,622
Net Income/(Loss)	<u>\$ 237,983</u>	<u>\$262,424</u>	<u>\$884,457</u>	<u>\$180,071</u>	<u>\$(42,506)</u>	<u>\$(215,060)</u>	<u>\$ 589,879</u>

SELECTED BALANCE SHEET CHANGES

Fixed Asset Additions	\$1,985,103	\$399,295	\$352,116	\$174,912	\$286,954	\$143,575	\$591,441
Dividends or Distributions	-0-	-0-	602,896	241,043	-0-	2,149,982	-0-
Capital Stock Recquired	-0-	-0-	-0-	20,641	-0-	-0-	-0-
Non-Operating Investments	126,774	401,321	-0-	-0-	-0-	-0-	-0-
Net Change Retained Earnings	<u>\$237,983</u>	<u>\$262,424</u>	<u>\$281,561</u>	<u>\$(80,369)</u>	<u>\$(42,506)</u>	<u>\$(3,776,226)</u>	<u>\$589,879</u>

1991 RECEIVING TRACK REVENUES, EXPENSES, AND PROFITS FROM TRACK TO TRACK
SIMULCASTS FROM OTHER THOROUGHBRED AND HARNESS TRACKS

<u>RECEIVING TRACK</u>	<u>YONKERS RACEWAY</u>	<u>SARATOGA RACEWAY</u>	<u>FINGER LAKES</u>	<u>MONTICELLO RACEWAY</u>	<u>VERNON DOWNS</u>	<u>BATAVIA DOWNS</u>	<u>BUFFALO RACEWAY</u>
Track Share - Commission And Breakage	\$16,512,842	\$3,138,889	\$1,463,501	\$1,096,881	\$542,966	\$1,356,707	\$1,785,916
Paid To Sending Tracks	(7,232,262)	(1,230,793)	(551,810)	(437,284)	(189,502)	(396,483)	(609,122)
Net Retained By Receiving Track	9,280,580	1,908,096	911,691	659,597	353,464	960,224	1,176,794
Other Operating Revenue	834,312	185,458	---	87,760	21,353	---	74,124
Total Simulcast Revenue	10,114,892	2,093,554	911,691	747,357	374,817	960,224	1,250,918
Less: Direct Expenses	(2,997,950)	(554,153)	(315,405)	(319,977)	(284,836)	(496,057)	(577,543)
Purse Share (Receiving Track)	(2,571,854)	(166,806)	(101,781)	(166,373)	(23,807)	(129,035)	(87,934)
Indirect Expenses	(1,352,053)	---	(12,986)	---	---	(114,361)	(74,764)
Simulcast Profit Before Taxes	\$3,193,035	\$1,372,595	\$481,519	\$261,007	\$66,174	\$220,771	\$510,677

REFLECTS THE COMBINED RESULTS FOR EACH TRACK FROM THE ONE OR MORE INTER-TRACK HANDLES SHOWN ON THE ACCOMPANYING CHART, PAGE #A-1. THE ABOVE SIMULCAST REVENUES AND EXPENSES WERE SEGREGATED FROM THE PARTICULAR TRACK'S TOTAL REVENUES AND EXPENSES FOR THE PURPOSE OF APPROXIMATING THE PROFITS FROM SIMULCASTS. THE BLANK LINES FOR OTHER OPERATING REVENUE AND FOR INDIRECT EXPENSES REFLECT THE INABILITY TO IDENTIFY SUCH ITEMS FOR SOME OF THE TRACKS.

TRACK TO TRACK SIMULCASTS - Handle at Receiving Tracks
5 Year Comparison of Combined On-Track and Simulcast Handles and Racing Days

	On-Track Own Racing		Simulcasts Of NYRA Racing		Simulcasts From Other Tracks		Combined Handles
	Days	Handle	Days	Handle	Days	Handle	
<u>YONKERS RACEWAY</u>							
1987	193	\$163,946,198	304	\$94,153,799			\$258,099,997
Increase 1988		<u>26,031,228</u>		<u>5,708,370</u>			<u>31,739,598</u>
1988	247	\$189,977,426	290	\$99,862,169			\$289,839,595
Increase 1989		<u>49,420,761</u>		<u>5,910,464</u>			<u>55,331,225</u>
1989	365	\$239,398,187	306	\$105,772,633			\$345,170,820
(Decrease) 1990		<u>(31,993,650)</u>		<u>(49,387,362)</u>			<u>(81,381,012)</u>
1990	353	\$207,404,537	167	\$56,385,271			\$263,789,808
(Decrease) Increase 1991		<u>(20,401,832)</u>		<u>45,963,727</u>			<u>25,561,895</u>
1991	364	\$187,002,705	306	\$102,348,998			\$289,351,703
<u>SARATOGA RACEWAY</u>							
1987	188	\$36,120,688	280	\$18,897,279			\$55,017,959
(Decrease) 1988		<u>(1,136,618)</u>		<u>(1,491,005)</u>			<u>(2,627,623)</u>
1988	202	\$34,984,062	284	\$17,406,274			\$52,390,336
(Decrease) Increase 1989		<u>(3,576,148)</u>		<u>1,477,158</u>			<u>(2,098,990)</u>
1989	197	\$31,407,914	282	\$18,883,432			\$50,291,346
(Decrease) Increase 1990		<u>(2,437,850)</u>		<u>991,255</u>			<u>(1,446,595)</u>
1990	179	\$28,970,064	287	\$19,874,687			\$48,844,751
(Decrease) 1991		<u>(2,036,902)</u>		<u>(1,514,710)</u>			<u>(3,551,612)</u>
1991	187	\$26,933,162	280	\$18,359,977			\$45,293,139
<u>FINGER LAKES</u>							
1987	171	\$48,976,593	91	\$7,260,261			\$56,236,854
Increase 1988		<u>1,551,590</u>		<u>1,384,598</u>			<u>2,936,188</u>
1988	172	\$50,528,183	99	\$8,644,859			\$59,173,042
(Decrease) 1989		<u>(3,398,277)</u>		<u>(2,751,437)</u>			<u>(6,149,714)</u>
1989	168	\$47,129,906	88	\$5,893,422			\$53,023,328
(Decrease) Increase 1990		<u>(3,611,341)</u>		<u>3,089,437</u>			<u>(521,904)</u>
1990	161	\$43,518,565	110	\$8,982,859			\$52,501,424
Increase (Decrease) 1991		<u>2,204,853</u>		<u>(919,162)</u>			<u>1,314,651</u>
1991	170	\$45,723,418	95	\$8,063,697	4	\$ 28,960	\$53,816,075
<u>MONTICELLO RACEWAY</u>							
1989	210	\$41,894,204		-----			\$41,894,204
Increase 1990		<u>2,031,260</u>		<u>\$1,680,171</u>			<u>4,511,431</u>
1990	230	\$44,725,464	89	\$1,680,171			\$46,405,635
(Decrease) Increase 1991		<u>(9,926,848)</u>		<u>4,683,626</u>			<u>(5,243,222)</u>
1991	210	\$34,798,616	310	\$6,363,797			\$41,162,413
<u>VERNON DOWNS</u>							
1988	154	\$31,676,454		-----			\$31,676,454
(Decrease) Increase 1989		<u>(319,722)</u>		<u>\$2,151,394</u>		<u>\$440,015</u>	<u>2,271,687</u>
1989	159	\$31,356,732	138	\$2,151,394	44	\$440,015	\$33,948,141
(Decrease) Increase 1990		<u>(904,278)</u>		<u>(104,845)</u>		<u>854,384</u>	<u>(154,739)</u>
1990	155	\$30,452,454	112	\$2,046,549	112	\$1,294,399	\$33,793,402
(Decrease) Increase 1991		<u>(2,472,744)</u>		<u>336,979</u>		<u>249,866</u>	<u>(1,885,899)</u>
1991	155	\$27,979,710	132	\$2,383,528	137	\$1,544,265	\$31,907,503
<u>BATAVIA DOWNS</u>							
1989	142	\$20,791,055		-----			\$20,791,055
(Decrease) Increase 1990		<u>(1,227,286)</u>		<u>\$124,193</u>	---	<u>\$815,942</u>	<u>(207,151)</u>
1990	133	\$19,563,769	23	\$124,193		\$815,942	\$20,503,904
(Decrease) Increase 1991		<u>(2,725,026)</u>		<u>2,843,885</u>	---	<u>2,244,534</u>	<u>2,363,393</u>
1991	129	\$16,838,743	262	\$2,968,078	283	\$3,060,476	\$22,867,297
<u>BUFFALO RACEWAY</u>							
1989	127	\$23,772,040		-----			\$23,772,040
(Decrease) Increase 1990		<u>(456,818)</u>		-----		<u>\$1,330,539</u>	<u>873,721</u>
1990	128	\$23,315,222		-----	40	\$1,330,539	\$24,645,761
(Decrease) Increase 1991		<u>(2,696,064)</u>		<u>3,375,101</u>		<u>4,578,716</u>	<u>5,257,753</u>
1991	127	\$20,619,158	254	\$3,375,101	294	\$5,909,255	\$29,903,514

SEE CHART PAGE #A-1 FOR THE INDIVIDUAL HANDLES
FOR SIMULCASTS FROM OTHER TRACKS

NEW YORK RACING ASSOCIATION
1991 SARATOGA THOROUGHBRED SIMULCAST TRANSMISSION TO AQUEDUCT

Dates Raced July 24 through August 26, 1991

Days 30

Attendance 191,529 Total 6,384 Per Day

HANDLE:	<u>AMOUNT</u>	<u>Average Per Day</u>	<u>% of Handle</u>
Regular	\$9,431,008	\$314,367	25.70
Multiple	22,174,796	739,160	60.43
Exotic	4,158,125	138,604	11.33
Super Exotic	931,916	31,064	2.54
Total Handle at Aqueduct	<u>\$36,695,845</u>	<u>\$1,223,195</u>	<u>100%</u>

DIVISION OF HANDLE:

State Tax	\$1,119,269	\$37,309	3.05
Breeders Fund	184,282	6,143	.50
Track Share	<u>5,512,879</u>	<u>183,762</u>	<u>15.03</u>
Takeout	6,816,430	227,214	18.58
Bettors Share	<u>29,879,415</u>	<u>995,981</u>	<u>81.42</u>
Handle	<u>\$36,695,845</u>	<u>\$1,223,195</u>	<u>100%</u>

Average Bet Per Patron \$191

5 Year Comparison of Handle - Saratoga Simulcast to Aqueduct

	<u>Days</u>	<u>Handle</u>	<u>Average Per Day</u>	<u>% Change</u>
<u>1987</u> Aug. 5 - Aug. 31	24	\$30,411,611	\$1,267,150	
Decrease 1988		(1,637,132)	(68,213)	(5.38%)
<u>1988</u> Aug. 3 - Aug. 29	24	\$28,774,479	\$1,198,937	
Increase 1989		318,129	13,255	1.11%
<u>1989</u> Aug. 2 - Aug. 28	24	\$29,092,608	\$1,212,192	
Increase 1990		801,457	33,394	2.75%
<u>1990</u> Aug. 1 - Aug. 27	24	\$29,894,065	\$1,245,586	
Increase 1991	6	6,801,780	(22,391)	(1.80%)
<u>1991</u> Jul. 24 - Aug. 26	30	\$36,695,845	\$1,223,195	

SCHEDULE OF SIMULCAST REVENUES, EXPENSES AND PROFIT - AQUEDUCT

Track Share of Commission And Breakage Net of Statutory Payments	\$5,512,879
Other Operating Revenues	209,549
Total Revenues	<u>\$5,722,428</u>
Statutory Allocation for NYRA Purses	(1,374,825)
Other Operating Expenses	(1,599,405)
NYRA Profit - Paid Out As Franchise Fee Increment	<u>\$2,748,198</u>

91sim392-6

**SARATOGA THOROUGHBRED MEETS of the New York Racing Association and Selected Simulcasts
Comparisons of Handle and Attendance - Totals, Daily Averages and Increases and Decreases**

ON-TRACK HANDLE AT SARATOGA - 5 YEAR COMPARISON

DATES	DAYS	TOTAL FOR MEET	AVERAGE PER DAY		TOTAL FOR MEET	ATTENDANCE	
			AMOUNT	% CHANGE		AMOUNT	% CHANGE
1987 Aug. 8-Aug. 31	24	\$84,554,776	\$3,523,116		722,421	30,100	
(Decrease)-1988		(1,418,372)	(59,099)	(1.68%)	(49,719)	(2,071)	(6.88%)
1988 Aug. 3-Aug. 29	24	\$83,136,404	\$3,464,017		672,702	28,029	
Increase-1989		1,935,719	80,655	2.33%	54,039	2,252	8.03%
1989 Aug. 2-Aug. 28	24	\$85,072,123	\$3,544,672		726,741	30,281	
Increase (Decrease) 1990		4,361,704	181,737	5.13%	(20,876)	(870)	(2.87%)
1990 Aug. 1-Aug. 27	24	\$89,433,827	\$3,726,409		705,865	29,411	
Increase 1991		10,787,427	(385,701)	(10.35%)	25,530	(5,031)	(17.11%)
1991 Jul. 24-Aug. 26	30	\$100,221,254	\$3,340,708		731,395	24,380	

NEW YORK CITY OTB SARATOGA THOROUGHBRED RACING - 5 YEAR COMPARISON

	NYC OTB HANDLE	DAYS RACED	AVERAGE PER DAY	
			AMOUNT	% CHANGE
1987 Aug. 8-Aug. 31	\$60,288,641	24	\$2,512,027	
(Decrease) 1988	(819,634)		(34,152)	(1.36%)
1988 Aug. 3-Aug. 29	\$59,469,007	24	\$2,477,875	
(Decrease) 1989	(1,316,249)		(54,843)	(2.21%)
1989 Aug. 2-Aug. 28	\$58,152,758	24	\$2,423,032	
Increase 1990	1,628,257		67,844	2.80%
1990 Aug. 1-Aug. 27	\$59,781,015	24	\$2,490,876	
Increase 1991	8,159,963		(226,177)	(9.08%)
1991 Jul. 24-Aug. 26	\$67,940,978	30	\$2,264,699	

AT YONKERS RACEWAY - SARATOGA THOROUGHBRED SIMULCASTS - 5 YEAR COMPARISON

	YONKERS HANDLE	DAYS RACED	AVERAGE PER DAY	
			AMOUNT	% CHANGE
1987 Aug. 8-Aug. 31	\$8,976,709	24	\$374,030	
Increase 1988	47,096		1,962	0.52%
1988 Aug. 3-Aug. 19	\$9,023,805	24	\$375,992	
Increase 1989	252,190		10,508	2.79%
1989 Aug. 2-Aug. 28	\$9,275,995	24	\$386,500	
Increase 1990	546,497		22,771	5.89%
1990 Aug. 1-Aug. 28	\$9,822,492	24	\$409,271	
Increase 1991	1,689,897		(25,525)	(6.24%)
1991 Jul. 24-Aug. 26	\$11,512,389	30	\$383,746	

See separate page for simulcasts to Aqueduct.

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COMPARISON OF COMBINED ON AND OFF-TRACK HANDLES 1989/1988

	ON-TRACK HANDLE		% of increase (decrease)	OFF-TRACK HANDLE		% of increase (decrease)	COMBINED ON AND OFF-TRACK HANDLE TOTALS		% of increase (decrease)
	1989	1988		1989	1988		1989	1988	
NYRA									
Aqueduct	\$437,706,594	\$462,801,698	(5.42)	\$731,697,468	\$742,496,505	(1.45)	\$1,169,404,062	\$1,205,298,203	(2.98)
Belmont	315,668,751	333,705,670	(5.41)	471,772,489	473,933,387	(.46)	787,441,240	807,639,057	(2.50)
Saratoga	85,072,123	83,136,404	2.33	112,538,796	113,689,955	(1.00)	197,610,919	196,806,359	.41
NYRA TOTAL	\$838,447,468	\$879,643,772	(4.68)	\$1,316,008,753	\$1,330,099,847	(1.06)	\$2,154,456,221	\$2,209,743,619	(2.50)
Intertrack Simulcasts of NYRA at:									
Aqueduct (Saratoga Meet)	29,092,608	\$28,774,479	1.11	---	---	---	29,092,608	28,774,479	1.11
Finger Lakes	5,893,471	8,644,860	(31.83)	---	---	---	5,893,471	8,644,860	(31.83)
Saratoga Raceway	18,883,432	17,406,274	8.49	---	---	---	18,883,432	17,406,274	8.49
Yonkers Raceway	105,772,633	99,862,170	5.92	---	---	---	105,772,633	99,862,170	5.92
Vernon	2,151,394	---	---	---	---	---	2,151,394	---	---
Intertrack Simulcast Totals	\$161,793,488	\$154,687,783	4.59	---	---	---	\$161,793,488	\$154,687,783	4.59
TOTAL NYRA RACES	\$1,000,240,956	\$1,034,331,555	(3.30)	\$1,316,008,753	\$1,330,099,847	(1.06)	\$2,316,249,709	\$2,364,431,402	(2.04)
Finger Lakes	47,129,906	50,528,183	(6.73)	122,382,016	118,777,819	3.03	169,511,922	169,306,002	.12
TOTAL IN-STATE THOROUGHBRED	\$1,047,370,862	\$1,084,859,738	(3.46)	\$1,438,390,769	\$1,448,877,666	(.72)	\$2,485,761,631	\$2,533,737,404	(1.89)
Out-Of-State Tracks	---	---	---	70,506,112	85,868,954	(17.89)	70,506,112	85,868,954	(17.89)
TOTAL THOROUGHBRED HANDLE	\$1,047,370,862	\$1,084,859,738	(3.46)	\$1,508,896,881	\$1,534,746,620	(1.68)	\$2,556,267,743	\$2,619,606,358	(2.41)
HARNESS RACING									
Batavia Downs	\$20,791,055	\$24,310,035	(14.48)	26,008,680	23,658,399	9.93	46,779,735	47,968,434	(2.44)
Buffalo Raceway	23,772,040	23,905,239	(.56)	22,670,686	25,089,953	(9.64)	46,442,726	48,995,192	(5.21)
Total Batavia/Buffalo	\$44,563,095	\$48,215,274	(7.57)	\$48,679,366	\$48,748,352	(.14)	\$93,242,461	\$96,963,626	(3.84)
Roosevelt Raceway	---	82,230,782	---	---	97,360,924	---	---	179,591,706	---
Yonkers Raceway	239,398,187	189,977,476	26.01	315,560,624	221,912,048	42.20	554,958,811	411,889,474	34.73
Total Roosevelt/Yonkers	\$239,398,187	\$272,208,208	(12.05)	\$315,560,624	\$319,272,972	(1.16)	\$554,958,811	\$591,481,180	(6.17)
Monticello	41,894,204	43,418,787	(3.51)	24,905,902	23,284,481	6.96	66,800,106	66,703,268	.15
Saratoga Raceway	31,407,914	34,984,062	(10.27)	16,105,547	18,254,963	(11.77)	47,513,461	53,239,025	(10.75)
Vernon Downs	31,356,732	31,676,454	(1.01)	5,584,097	5,855,313	(4.63)	36,940,829	37,531,767	(1.57)
Syracuse Mile	2,327,905	2,364,448	(1.55)	205,503	288,361	(28.73)	2,533,408	2,652,809	(4.50)
TOTAL ON-TRACK STATE HARNESS	\$390,948,037	\$432,867,233	(9.68)	\$411,041,039	\$415,704,442	(1.12)	\$801,989,076	\$848,571,675	(5.49)
Yonkers Simulcast At Vernon	440,015	---	---	---	---	---	440,015	---	---
TOTAL IN-STATE HARNESS	\$391,388,052	\$432,867,233	(9.58)	\$411,041,039	\$415,704,442	(1.12)	\$802,429,091	\$848,571,675	(5.44)
OTB Out Of State Tracks	---	---	---	363,193	386,386	(6.00)	363,193	386,386	(6.00)
TOTAL HARNESS HANDLE	\$391,388,052	\$432,867,233	(9.58)	\$411,404,232	\$416,090,828	(1.13)	\$802,792,284	\$848,958,061	(5.44)
ALL TRACKS COMBINED	\$1,438,758,914	\$1,517,726,971	(5.20)	\$1,920,301,113	\$1,950,837,448	(1.52)	\$3,359,060,028	\$3,468,564,419	(3.16)

COMPARISON OF HANDLE AND ATTENDANCE

TRACK	PROGRAMS RACED		HANDLE		ATTENDANCE		Increase (Decrease)	Percent
	1989	1988	1989	1988	1989	1988		
Aqueduct	168	171	\$437,706,594	\$462,801,698	(\$25,095,104)	1,905,883	(48,389)	-2.48%
Belmont	114	113	315,668,751	333,705,670	(\$18,036,919)	1,585,851	(73,486)	-4.43%
Saratoga	24	24	85,072,123	83,136,404	\$1,935,719	726,741	54,039	8.03%
NYRA On-Track Total	306	308	\$838,447,468	\$879,643,772	(\$41,196,304)	4,218,475	(67,836)	-1.58%
Intertrack Simulcasts of NYRA at:								
Aqueduct (Saratoga Meet)	24 (A)	24 (A)	\$29,092,608	\$28,774,479	\$318,129	160,298	(2,316)	-1.42%
Finger Lakes	88 (A)	99 (A)	5,893,421	8,644,860	(\$2,751,439)	35,514	(5,297)	-12.98%
Saratoga Raceway	282 (A)	284 (A)	18,883,432	17,406,274	\$1,477,158	145,932	14,368	10.92%
Vernon Downs	138 (A)	—	2,151,394	—	\$2,151,394	21,675	—	—
Yonkers Raceway	306 (A)	298 (A)	105,772,633	99,862,170	\$5,910,463	607,054	37,954	6.67%
Intertrack Simulcast Totals	838 (A)	705 (A)	\$161,793,488	\$154,687,783	\$7,105,705	970,473	66,384	7.34%
Total NYRA On-Track & Simulcast	306	308	\$1,000,240,956	\$1,034,331,555	(\$34,090,599)	5,188,948	(1,452)	-0.03%
Finger Lakes	168	172	47,129,906	50,528,183	(\$3,398,277)	392,341	(11,393)	-2.82%
THOROUGHBRED TRACKS COMBINED	474	480	\$1,047,370,862	\$1,084,859,738	(\$37,488,876)	5,581,289	(12,845)	-0.23%
Yonkers Raceway	365	247	\$239,398,187	\$189,977,426	\$49,420,761	990,570	190,561	23.82%
Simulcast of Yonkers at Vernon	44 (A)	—	440,015	—	\$440,015	3,658	3,658	—
Roosevelt Raceway	—	109	—	82,230,782	(\$82,230,782)	—	(347,333)	-100.00%
Total Yonkers, etc.	365	356	\$239,838,202	\$272,208,208	(\$32,370,006)	994,228	(153,114)	-13.35%
Monticello Raceway	210	180	\$41,894,204	\$43,418,787	(\$1,524,583)	334,711	(15,280)	-4.37%
Saratoga Raceway	197	202	31,407,914	34,984,062	(\$3,576,148)	383,757	(25,138)	-6.15%
Vernon Downs	159	154	31,356,732	31,676,454	(\$319,722)	344,323	(17,187)	-4.75%
Batavia Downs	142	147	\$20,791,055	\$24,310,035	(\$3,518,980)	220,217	(21,401)	-8.86%
Buffalo Raceway	127	139	23,772,040	23,905,239	(\$133,199)	229,828	(18,269)	-7.36%
Total Batavia/Buffalo	269	286	\$44,563,095	\$48,215,274	(\$3,652,179)	450,045	(39,670)	-8.10%
Syracuse Mile	7	7	2,327,905	2,364,448	(\$36,543)	19,544	459	2.41%
HARNESS TRACKS COMBINED	1207	1185	\$991,388,052	\$432,867,233	(\$41,479,181)	2,526,608	(249,930)	-9.00%
ALL TRACKS COMBINED	1681	1665	\$1,438,758,914	\$1,517,726,971	(\$78,968,057)	8,107,897	(262,775)	-3.14%

(A) Not included in totals.

**YONKERS RACEWAY
REVENUES AND EXPENSES 1988-1991**

	1991	1990	1989	1988	INCREASE (DECREASE) 1991 - 1990
OPERATING INCOME					
On-track Commissions and Breakage	\$31,533,962	\$35,007,784	\$39,955,460	\$31,360,643	\$(3,473,822)
Off-track Commissions	12,149,023	12,776,580	14,912,772	10,579,651	(627,557)
Simulcast Commissions	11,579,236	7,121,824	11,122,074	12,154,207	4,457,412
Simulcast Tax Credits	2,150,158	2,297,527	2,681,478	1,779,605	(147,369)
Total Pari-Mutuel Commission	57,412,379	57,203,715	68,671,784	55,874,106	208,664
Other Operating Income	3,884,347	3,466,782	4,443,648	4,013,581	417,565
Total Operating Income	<u>61,296,726</u>	<u>60,670,497</u>	<u>73,115,432</u>	<u>59,887,687</u>	<u>626,229</u>
OPERATING EXPENSES					
Purse and Horsemen Benefits	\$24,717,105	\$25,247,285	\$29,792,861	\$23,513,018	\$(530,180)
Racing Department	1,333,021	1,232,349	1,366,536	1,005,856	100,672
Pari-Mutuel Expenses	5,200,854	4,752,003	5,844,136	4,867,300	448,851
Advertising and Promotion	1,882,349	2,131,534	1,785,429	1,217,220	(249,185)
Maintenance and Cleaning	8,230,094	7,910,735	10,526,124	6,668,562	319,359
Patron and Security Expenses	2,674,178	2,381,415	2,790,875	2,188,146	292,763
General and Administrative	11,112,637	10,978,677	11,460,165	9,735,196	133,960
Total Operating Expenses	55,150,238	54,633,998	63,566,126	49,195,298	516,240
Depreciation	2,917,650	3,117,020	2,427,613	1,913,083	(199,370)
Total Racing Expenses	<u>58,067,888</u>	<u>57,751,018</u>	<u>65,993,739</u>	<u>51,108,381</u>	<u>316,870</u>
Profit from Racing	3,228,838	2,919,479	7,121,693	8,779,306	309,359
Capital Improvement Commission	-0-	-0-	-0-	-0-	-0-
PROFIT FROM RACING & CAP. IMPROV.	<u>3,228,838</u>	<u>2,919,479</u>	<u>7,121,693</u>	<u>8,779,306</u>	<u>309,359</u>
Net Other Income or (Expense)	343,181	(2,029,994)	(2,789,242)	(3,551,044)	2,373,175
Net Income (Loss) Before Taxes	3,572,019	889,485	4,332,451	5,228,262	2,682,534
Less: Prov. for Income Taxes	1,510,000	651,602	1,985,461	2,318,494	858,398
Net Income (Loss)	<u>\$2,062,019</u>	<u>\$ 237,883</u>	<u>\$2,346,990</u>	<u>\$2,909,768</u>	<u>\$1,824,136</u>
SELECTED BALANCE SHEET CHANGES					
Fixed Asset Additions	\$1,054,784	\$1,985,103	\$2,516,687	\$1,058,038	\$(930,319)
Dividends	-0-	-0-	-0-	-0-	-0-
Capital Stock reacquired	-0-	-0-	-0-	-0-	-0-
Non-Operating Investments	N/A	126,774	1,041,326	763,499	N/A
Net Change Retained Earnings	2,062,019	237,883	2,346,990	2,909,768	1,824,136

MONTICELLO RACEWAY
REVENUES AND EXPENSES 1988-1991

<u>OPERATING INCOME</u>	1991	1990	1989	1988	INCREASE (DECREASE) 1991-1990
On-track Commissions and Breakage	\$5,991,245	\$7,686,546	\$7,202,135	\$7,455,065	\$(1,695,301)
Off-track Commissions	2,072,014	2,448,691	1,911,409	1,738,517	(376,677)
Simulcast Commissions	659,764	169,629	3,108	45,625	490,135
Simulcast Tax Credits	13,109	62,761	19,709	19,203	(49,652)
Total Pari-Mutuel Commission	8,736,132	10,367,627	9,136,361	9,258,410	(1,631,495)
Other Operating Income	833,163	826,625	990,775	1,109,721	6,538
Total Operating Income	<u>9,569,295</u>	<u>11,194,252</u>	<u>10,127,136</u>	<u>10,368,131</u>	<u>(1,624,957)</u>
 <u>OPERATING EXPENSES</u>					
Purse and Horsemen Benefits	4,450,960	5,012,647	4,520,979	4,400,015	(561,687)
Racing Department	325,630	337,366	352,100	322,030	(11,736)
Pari-Mutuel Expenses	742,165	845,153	673,950	882,579	(102,988)
Advertising and Promotion	202,382	224,401	169,971	244,983	(22,019)
Maintenance and Cleaning	1,162,372	1,339,747	1,195,361	983,994	(177,375)
Patron and Security Expenses	513,177	483,938	475,139	498,290	29,239
General and Administrative	2,804,554	2,903,770	2,732,242	2,760,679	(99,216)
Total Operating Expenses	<u>10,201,240</u>	<u>11,147,022</u>	<u>10,119,742</u>	<u>10,092,570</u>	<u>(945,782)</u>
Depreciation	352,651	372,942	397,873	477,367	(20,292)
Total Racing Expenses	<u>10,553,891</u>	<u>11,519,964</u>	<u>10,517,615</u>	<u>10,569,937</u>	<u>(966,073)</u>
Profit from Racing	(984,596)	(325,712)	(390,479)	(201,806)	(658,884)
Capital Improvement Commission	360,574	469,678	413,045	415,292	109,104
PROFIT FROM RACING & CAP. IMPROV.	<u>(624,022)</u>	<u>143,966</u>	<u>22,566</u>	<u>213,486</u>	<u>(767,988)</u>
Net Other Income or (Expense)	249,527	293,458	291,890	481,113	(43,931)
Net Income Before Taxes	(374,495)	437,424	314,456	694,599	(811,919)
Less: Prov. for Income Taxes	136,495	175,000	118,000	289,000	(38,305)
Net Income/(Loss)	<u>\$(238,000)</u>	<u>\$262,424</u>	<u>\$196,456</u>	<u>\$405,599</u>	<u>\$(500,424)</u>
 <u>SELECTED BALANCE SHEET CHANGES</u>					
Fixed Asset Additions	\$409,916	\$399,295	\$783,264	\$156,096	\$10,621
Dividends	-0-	-0-	-0-	-0-	-0-
Capital Stock Recquired	-0-	-0-	-0-	-0-	-0-
Non-Operating Investments	Not Available	401,321	(671,558)	712,587	-0-
Net Change Retained Earnings	<u>(238,000)</u>	<u>262,424</u>	<u>196,456</u>	<u>405,599</u>	<u>(500,424)</u>

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**SARATOGA RACEWAY
REVENUES AND EXPENSES 1988-1991**

<u>OPERATING INCOME</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	<u>INCREASE (DECREASE) 1991-1990</u>
On-track Commissions and Breakage	\$4,576,586	\$4,917,763	\$5,331,801	\$5,865,479	\$(341,177)
Off-track Commissions	4,664,477	4,770,526	4,650,976	4,549,461	(106,049)
Simulcast Commissions	1,993,184	1,986,513	1,856,140	1,718,063	6,671
Simulcast Tax Credits	57,060	60,067	64,358	80,453	(3,007)
Total Pari-Mutuel Commission	11,291,307	11,734,869	11,903,275	12,213,456	(443,562)
Other Operating Income	1,682,616	1,885,205	2,042,601	2,084,998	(202,589)
Total Operating Income	<u>12,973,923</u>	<u>13,620,074</u>	<u>13,945,876</u>	<u>14,298,454</u>	<u>(646,151)</u>

<u>OPERATING EXPENSES</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	<u>INCREASE (DECREASE) 1991-1990</u>
Purse and Horsemen Benefits	\$4,572,806	\$4,588,556	\$4,761,118	\$5,100,874	\$(15,750)
Racing Department	278,107	287,528	281,091	291,007	(9,421)
Pari-Mutuel Expenses	1,358,301	1,417,567	1,402,741	1,525,485	(59,266)
Advertising and Promotion	603,010	630,951	603,613	654,049	(27,941)
Maintenance and Cleaning	1,328,911	1,339,518	1,416,601	1,354,805	(10,607)
Patron and Security Expenses	689,703	711,570	695,884	702,123	(21,867)
General and Administrative	2,905,107	3,161,846	2,671,719	2,512,885	(256,739)
Total Operating Expenses	11,735,945	12,137,536	11,832,767	12,141,228	(401,591)
Depreciation	681,019	701,943	792,930	840,864	(20,924)
Total Racing Expenses	<u>12,416,964</u>	<u>12,839,479</u>	<u>12,625,697</u>	<u>12,982,092</u>	<u>(422,212)</u>

Profit from Racing	556,959	780,999	1,320,119	1,310,302	(225,030)
Capital Improvement Commissions	287,904	309,501	342,981	385,695	(21,597)
PROFIT FROM RACING & CAP. IMPROV.	844,863	1,090,096	1,663,160	1,702,057	(245,233)

Net Other Income or (Expense)	(319,275)	(179,129)	(605,144)	(573,657)	(140,146)
Net Income/(Loss) Before Taxes	525,588	910,967	1,058,016	1,128,400	(385,379)
Less: Prov. for Income taxes (Credit)	17,040	26,510	-	5,429	(9,470)
Net Income/(Loss)	<u>\$508,548</u>	<u>\$884,457</u>	<u>\$1,058,016</u>	<u>\$1,122,971</u>	<u>(375,909)</u>

<u>SELECTED BALANCE SHEET CHANGES</u>					
Fixed Asset Additions	\$236,136	\$352,116	\$196,156	\$322,134	\$(115,980)
Dividends or Distributions	374,126	602,896	578,076	486,807	(228,770)
Capital Stock reacquired	350,000	-	-	408,008	350,000
Non-Operating Investments	-	-	-	-	-
Net Change Retained Earnings	(79,750)	281,561	479,940	636,164	(361,311)

VERNON DOWNS
REVENUES AND EXPENSES 1988-1991

<u>OPERATING INCOME</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	<u>INCREASE (DECREASE) 1991-1990</u>
On-Track Commissions & Breakage	\$4,805,065	\$5,227,426	\$5,211,148	\$5,598,187	\$(422,361)
Off-Track Commissions	1,465,933	1,544,941	1,460,477	1,586,834	(79,008)
Simulcast Commissions	495,611	353,464	389,105	109,939	142,147
Simulcast Tax Credits	-0-	-0-	-0-	-0-	-0-
Total Pari-Mutuel Commission	<u>6,766,609</u>	<u>7,125,831</u>	<u>7,060,730</u>	<u>7,294,960</u>	<u>(359,222)</u>
Other Operating Income	<u>1,248,813</u>	<u>1,378,428</u>	<u>1,315,477</u>	<u>1,447,027</u>	<u>(129,615)</u>
Total Operating Income	<u>8,015,422</u>	<u>8,504,259</u>	<u>8,376,207</u>	<u>8,741,987</u>	<u>(488,837)</u>

<u>OPERATING EXPENSES</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	<u>INCREASE (DECREASE) 1991-1990</u>
Purse and Horsemen Benefits	\$3,129,500	\$3,693,856	\$3,455,029	\$3,776,342	\$(564,356)
Racing Department	268,890	260,822	265,353	300,620	8,068
Pari-Mutuel Expenses	1,181,022	943,643	1,137,974	1,079,546	237,379
Advertising and Promotion	258,087	273,328	286,304	284,695	(15,241)
Maintenance and Cleaning	600,643	684,769	682,336	659,671	(84,126)
Patron and Security Expenses	547,599	554,897	502,561	516,413	(7,298)
General and Administrative	<u>1,930,619</u>	<u>2,063,973</u>	<u>1,716,237</u>	<u>1,868,685</u>	<u>(133,354)</u>
Total Operating Expenses	<u>7,916,360</u>	<u>8,475,288</u>	<u>8,045,794</u>	<u>8,485,972</u>	<u>(558,928)</u>
Depreciation	253,977	284,058	295,529	300,776	(30,081)
Total Racing Expenses	<u>8,170,337</u>	<u>8,759,346</u>	<u>8,341,323</u>	<u>8,786,748</u>	<u>(589,009)</u>

Profit from Racing	(154,915)	(255,087)	34,884	(44,761)	(100,172)
Capital Improvement Commission	<u>227,737</u>	<u>246,857</u>	<u>252,330</u>	<u>272,830</u>	<u>(19,120)</u>
PROFIT FROM RACING & CAPITAL IMPROV.	<u>72,822</u>	<u>(8,230)</u>	<u>287,214</u>	<u>228,069</u>	<u>81,052</u>

Net Other Income or (Expense)	<u>176,172</u>	<u>202,024</u>	<u>240,963</u>	<u>527,813</u>	<u>(25,852)</u>
Net Income/(Loss) Before Taxes	<u>248,994</u>	<u>193,794</u>	<u>528,177</u>	<u>755,882</u>	<u>(55,200)</u>
Less: Prov. for Income Taxes (Credit)	<u>25,977</u>	<u>13,723</u>	<u>182,279</u>	<u>258,933</u>	<u>12,254</u>
Net Income/(Loss)	<u>\$223,017</u>	<u>\$180,071</u>	<u>\$345,898</u>	<u>\$496,949</u>	<u>\$(42,946)</u>

SELECTED BALANCE SHEET CHANGES

Fixed Asset Additions	\$ 79,639	\$174,912	\$131,401	\$209,711	\$(95,273)
Dividends	201,728	241,043	293,098	331,489	(39,315)
Capital Stock Recquired	25,242	20,641	2,074	9,828	4,601
Non-Operating Investments	-0-	-0-	(11,518)	-0-	-0-
Net Change Retained Earnings	<u>(2,427)</u>	<u>(80,369)</u>	<u>50,849</u>	<u>156,246</u>	<u>77,942</u>

BATAVIA RACEWAY
REVENUES AND EXPENSES 1988-1991

	1991	1990	1989	1988	INCREASE (DECREASE) 1990-1991
OPERATING INCOME					
On-track Commissions and Breakage	\$2,894,589	\$3,356,643	\$3,566,031	\$4,126,935	\$(462,054)
Off-track Commissions	2,376,005	2,664,033	2,683,386	2,546,629	(288,028)
Simulcast Commissions	1,173,540	531,563	337,959	243,771	641,977
Simulcast Tax Credits	134,818	152,764	174,992	113,743	(17,946)
Total Pari-Mutuel Commission	6,578,952	6,705,003	6,762,368	7,031,078	(126,051)
Other Operation Income	714,153	707,090	667,954	740,697	7,063
Total Operating Income	<u>7,293,105</u>	<u>7,412,093</u>	<u>7,430,322</u>	<u>7,771,775</u>	<u>(118,988)</u>

OPERATING EXPENSES					
Purse and Horsemen Benefits	\$2,848,078	\$3,167,659	\$3,227,431	\$3,373,176	\$(319,581)
Racing Department	283,161	309,866	335,400	294,148	(26,705)
Pari-Mutuel Expenses	986,106	900,689	979,110	996,531	85,417
Advertising and Promotion	86,080	133,401	136,056	217,158	(47,321)
Maintenance and Cleaning	460,254	552,199	536,796	543,947	(91,945)
Patron and Security Expenses	232,594	242,124	363,417	342,917	(9,530)
General and Administrative	1,851,589	1,934,151	1,862,700	1,949,077	(82,562)
Total Operating Expenses	<u>6,747,862</u>	<u>7,240,089</u>	<u>7,440,910</u>	<u>7,716,954</u>	<u>(492,227)</u>
Depreciation	288,000	239,511	246,429	286,258	48,489
Total Racing Expenses	<u>7,035,862</u>	<u>7,479,600</u>	<u>7,687,339</u>	<u>8,003,212</u>	<u>(443,738)</u>

Profit from Racing	257,243	(67,507)	(257,017)	(231,437)	324,750
Capital Improvement Commission	209,280	242,968	257,023	270,762	(33,688)
PROFIT FROM RACING & CAP. IMPROV.	<u>466,523</u>	<u>175,461</u>	<u>6</u>	<u>39,375</u>	<u>291,062</u>

Net Other Income or (Expense)	1,374	(260,461)	(248,754)	(58,535)	261,835
Net Income/(Loss) Before Taxes	467,897	(85,000)	(248,748)	(19,210)	552,897
Less: Prov. for Income Taxes (Credit)	4,146	(42,494)	(77,910)	(10,369)	46,640
Net Income/(Loss)	<u>\$463,751</u>	<u>\$(42,506)</u>	<u>\$(170,838)</u>	<u>\$(8,841)</u>	<u>\$506,257</u>

SELECTED BALANCE SHEET CHANGES					
Fixed Asset Additions	\$212,041	\$286,954	\$62,684	\$473,373	\$(74,913)
Dividends	-0-	-0-	-0-	-0-	-0-
Capital Stock Reacquired	-0-	-0-	-0-	-0-	-0-
Non-Operating Investments	-0-	-0-	-0-	-0-	-0-
Net Change Retained Earnings	463,751	(42,506)	(170,838)	(8,841)	506,257

**BUFFALO RACEWAY
REVENUES AND EXPENSES 1988-1991**

<u>OPERATING INCOME</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	<u>INCREASE (DECREASE) 1991-1990</u>
On-track Commissions and Breakage	\$3,543,811	\$3,993,579	\$4,074,624	\$4,050,880	\$(449,768)
Off-track Commissions	1,996,846	2,186,603	2,136,309	2,216,571	(189,757)
Simulcast Commissions	1,515,626	606,626	347,972	84,134	909,000
Simulcast Tax Credits	152,534	167,168	163,026	161,671	(14,634)
Total Pari-Mutuel Commission	7,208,817	6,953,976	6,721,931	6,513,256	254,841
Other Operating Income	527,576	517,069	507,476	556,019	10,507
Total Operating Income	<u>7,736,393</u>	<u>7,471,045</u>	<u>7,229,407</u>	<u>7,069,275</u>	<u>265,348</u>

<u>OPERATING EXPENSES</u>					
Purse and Horsemen Benefits	3,130,538	3,392,966	3,256,472	3,195,910	(262,428)
Racing Department	394,140	329,555	530,274	354,216	64,585
Pari-Mutuel Expenses	1,308,270	920,818	696,579	739,496	387,452
Advertising and Promotion	495,965	532,385	553,862	477,556	(36,420)
Maintenance and Cleaning	714,771	646,719	638,552	683,455	68,052
Patron and Security Expenses	499,618	457,525	432,636	454,107	42,093
General and Administrative	1,141,914	1,158,375	1,101,033	1,083,095	(16,461)
Total Operating Expenses	7,685,216	7,438,343	7,209,408	6,987,835	246,873
Depreciation	126,489	225,039	283,354	286,582	(98,550)
Total Racing Expenses	<u>7,811,705</u>	<u>7,663,382</u>	<u>7,492,762</u>	<u>7,274,417</u>	<u>148,323</u>

<u>PROFIT FROM RACING</u>	(75,312)	(192,337)	(263,355)	(205,142)	117,025
Capital Improvement Commission	241,879	272,447	266,771	269,744	(30,568)
<u>PROFIT FROM RACING & CAP. IMPROV.</u>	<u>166,567</u>	<u>80,110</u>	<u>3,416</u>	<u>64,602</u>	<u>86,457</u>

Net Other Income or (Expense)	(357,600)	(287,570)	(209,925)	(245,710)	(70,030)
Net Income Before Taxes	(191,033)	(207,460)	(206,509)	(181,108)	16,427
Less: Prov. for Income Taxes (Credit)	(2,526)	7,600	(2,692)	(66,000)	(10,126)
Net Income/(Loss)	<u>\$(188,507)</u>	<u>\$(215,060)</u>	<u>\$(203,817)</u>	<u>\$(115,108)</u>	<u>\$26,553</u>

<u>SELECTED BALANCE SHEET CHANGES</u>					
Fixed Asset Additions	\$776,373	\$143,575	\$66,493	\$351,205	\$632,798
Dividends	-0-	2,149,982	-0-	-0-	(2,149,982)
Capital Stock Reacquired	-0-	-0-	-0-	-0-	-0-
Non-Operating Investments	-0-	-0-	-0-	-0-	-0-
Net Change Retained Earnings	(188,507)	(3,776,226)	(203,817)	(115,108)	3,587,719

FINGER LAKES RACETRACK
REVENUES AND EXPENSES 1988-1991

	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	INCREASE (DECREASE)
	1991-1990				1991-1990
<u>OPERATING INCOME</u>					
On-track Commissions and Breakage	\$7,836,486	\$7,529,172	\$8,162,395	\$8,731,655	\$ 307,314
Off-track Commissions	4,821,913	4,940,058	4,951,493	4,897,198	(118,145)
Simulcast Commissions	2,184,699	1,768,263	1,501,688	1,513,713	416,436
Simulcast Tax Credits	446,141	424,250	456,849	490,025	21,891
Total Pari-Mutuel Commissions	<u>15,289,239</u>	<u>14,661,743</u>	<u>15,072,425</u>	<u>15,632,591</u>	627,496
Other Operating Income	805,961	820,226	758,172	744,411	(14,265)
Total Operating Income	<u>16,095,200</u>	<u>15,481,969</u>	<u>15,830,597</u>	<u>16,377,002</u>	613,231

	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	INCREASE (DECREASE)
	1991-1990				1991-1990
<u>OPERATING EXPENSES</u>					
Purse and Horsemen Benefits	\$8,127,744	\$7,812,526	\$8,129,553	\$8,220,009	\$315,218
Racing Department	1,415,801	1,338,640	1,356,029	1,274,642	77,161
Pari-Mutuel Expenses	1,821,015	1,753,841	1,874,274	1,944,977	67,174
Advertising and Promotion	597,134	551,510	588,531	538,296	45,624
Maintenance and Cleaning	1,548,195	1,419,795	1,401,082	1,291,869	128,400
Patron and Security Expenses	505,019	491,263	511,000	497,989	13,756
General and Administrative	1,358,252	1,314,969	1,307,741	1,205,315	43,283
Total Operating Expenses	<u>15,373,160</u>	<u>14,682,544</u>	<u>15,168,210</u>	<u>14,973,097</u>	690,616
Depreciation	688,699	692,118	609,066	659,634	(3,419)
Total Racing Expenses	<u>16,061,859</u>	<u>15,374,662</u>	<u>15,777,276</u>	<u>15,632,731</u>	687,197

Profit from Racing	33,341	107,307	53,321	744,271	(73,966)
Capital Improvement Commission	835,309	836,959	873,640	890,181	(1,650)
PROFIT FROM RACING & CAP. IMPROV.	868,650	944,266	926,961	1,634,452	(75,616)

Net Other Income or (Expense)	71,065	58,235	245,337	145,984	12,830
Net Income (Loss) Before Taxes	939,715	1,002,501	1,172,298	1,780,436	(62,786)
Less: Prov. for Income Taxes (Credit)	344,528	412,672	469,032	713,892	(68,094)
Net Income (Loss)	<u>\$595,187</u>	<u>\$ 589,879</u>	<u>\$ 703,266</u>	<u>\$1,066,544</u>	5,308

<u>SELECTED BALANCE SHEET CHANGES</u>					
Fixed Asset Additions	\$1,054,373	\$591,441	\$565,043	\$490,097	\$462,932
Dividends or Distributions	-0-	-0-	-0-	-0-	-0-
Capital Stock reacquired	-0-	-0-	-0-	-0-	-0-
Non-Operating Investments	-0-	-0-	-0-	-0-	-0-
Net Change Retained Earnings	595,187	589,879	703,266	1,066,544	5,308

NOTES TO TRACK FINANCIAL SCHEDULES

GENERAL COMMENTS:

Three of the seven reporting tracks, Monticello, Vernon Downs, and Buffalo reflect sizeable "losses from racing" for 1991 before the inclusion of the capital improvement commissions. All the tracks except Monticello indicate profits with the capital improvement commissions. At the extremes, Finger Lakes "profit" was derived almost fully from the \$835,309 in capital improvement commissions. In the case of Monticello the \$360,574 in capital improvement commissions was not enough to overcome the \$984,596 loss from racing. In 1990, four tracks reflected sizeable losses from racing, and all tracks except Vernon Downs showed profits with the capital improvement commissions.

It is noted that the capital improvement commissions are restricted in use and are not available to cover operating expenses. Therefore, such revenues are shown separately in the schedules in this report. Furthermore, the capital improvement revenues are subject to income taxes. The tracks may net as little as 57% of such capital improvement monies after taxes.

Yonkers, Saratoga Raceway, Buffalo, Batavia, and Finger Lakes benefit substantially from the NYRA and other track to track simulcasts and from OTB simulcasts contractual commissions.

All track corporation "profits or losses from racing" are changed materially at the net income line by non-operating income and expense, which net includes interest income and interest expense, non-racing revenues, gains on sales of property, financing costs, and subsidiary losses. Adjustments for deferrals for tax purposes of capital improvement fund commissions to a later year until actually spent or depreciated, also have affected the reported net income or loss for particular tracks.

The non-operating and financing elements appear on the revenue and expense schedules as one line items, "net other income or expense", which detail is reflected on an attached supplemental schedule.

The 1991 figures are unaudited preliminary financial results which may change. The preliminary 1990 results submitted for the March 1991 report have been changed to reflect audited 1990 figures on the schedules included here.

SPECIFIC COMMENTS:

YONKERS RACEWAY

Yonkers Raceway, Inc., leases the race track property from a partnership whose partners are the beneficial owners of the corporation. Base rents of \$5,100,000 are paid annually by the corporation, of which \$1,490,400 is recovered by Yonkers each year by virtue of its 69 percent ownership of the underlying land, resulting in a net payment of \$3,609,600. The remaining 31% is owned indirectly by the beneficial owners of the corporation through other family partnerships.

The reported rent expenses are also complicated by the financial accounting standards requiring capitalized lease reporting, necessitating present value adjustments for the lease expenses. As a result, the actual net cash payments of \$3,609,600 annually were represented as net expenses of \$2,339,201 for 1990 and \$2,099,985 for 1991. The reduced rent expenses for reporting purposes had the effect of increasing the reported profits.

Supplemental to the basic annual rent of \$5,100,000, 25% of the racing corporation's operating profits in excess of \$2,400,000 is paid as additional rent. From the inception of the lease in 1972, additional rent became due in 1974, then not again until 1986 when \$31,865 was paid. No additional rent was due for 1987. For 1988 the additional rent was \$951,239, and for 1989 the amount was \$761,756. No additional rent was paid for 1990. A determination for 1991 must await the Yonkers CPA audit.

The rent expense in the attached schedules is allocated in part as depreciation and in part as net other (financing) expense. This permits comparisons with tracks that own their property and reflect depreciation as an operating expense.

The owner partnerships utilize portions of the rents received from Yonkers Raceway to pay interest and principal on loans which financed the 1972 acquisition of the track. Cash distributions are also made by the partnerships to the individual beneficial owners and to other participants in the 1972 financing. \$2,761,400 was distributed by the partnerships in 1989 and \$1,303,500 in 1990. 1991 figures were not available at the time of this writing.

Although Yonkers had the benefit of a \$45,964,000 handle increase for the NYRA simulcast in 1991 (compared to a \$49,388,000 decline in 1990 as a result of a dispute with the Catskill OTB) total pari-mutuel commissions increased by only \$208,000.

The small increase was due to offsets to the simulcast gain, a \$20,289,000 decline for on-track handle in 1991 and a \$12,737,000 decline for off-track handle. The preliminary \$2,062,019 net income figure for 1991, an increase of \$1,824,000 from the prior year, is after the inclusion of a \$938,000 gain from the sale of property, and approximately in \$600,000 interest income received as an addition to a 1988 refund by New York State of the tax payments on Connecticut off-track betting.

MONTICELLO RACEWAY

Monticello Raceway's increased \$985,000 loss from racing compared to a 1990 loss of \$325,712 is the result of very sizeable decreases in handles. With 20 fewer racing days in 1991, the combined on and off-track handles declined by \$19,294,000 from \$79,511,000 in 1990 to \$60,217,101 in 1991. This was offset partially by a \$4,975,000 increase for the NYRA simulcasts to Monticello. The capital improvement commissions, sufficient in 1990 to convert the loss from racing to a \$144,000 profit, could only reduce the loss to \$624,000 in 1991.

SARATOGA RACEWAY

Saratoga Harness Racing Inc., under new ownership since May 1, 1987 has elected to be a Subchapter S Corporation. As such, the raceway corporation is not subject to federal income taxes, but pays state franchise taxes since 1990. The stockholders include their proportional shares of the corporation's taxable income in their personal income tax returns. (The stockholders received a total of \$602,985 as cash distributions in 1990 and \$374,126 in 1991, which generally represent non-taxable returns of capital for the individual stockholders.)

The corporation reacquired for \$350,000 all of the 25 shares of stock owned by a stockholder arraigned for insurance theft unrelated to the racetrack operation.

VERNON DOWNS

Vernon Downs is the only track for which the operating corporation's financial reports are on a fiscal year basis, which ends March 31. As a result, the fiscal year pari-mutuel revenues reflect the prior calendar year's on track and off track betting handles, which racing generally runs from early April to early November. However, the track to track simulcasts from NYRA, Yonkers and Buffalo include racing in the first three months of the following calendar year. Therefore, the fiscal March 31 1992 financial figures used herein reflect 1991 on and off track handles, and early 1992 track to track handles excluding early 1991.

BATAVIA DOWNS

The Batavia Downs 1991 result of financial operations reflects the first profit from racing since 1986, and the first year since 1987 without a net loss after income tax credits. A \$4,899,000 decline in 1991 for on and off track handles was offset by a \$8,054,000 increase in the track to track simulcasts handles. A \$126,000 decrease for net pari-mutuel commissions was exceeded by a \$444,000 decrease in operating expense. Batavia also benefited from a significantly lower interest expense due to a reduction of the interest based on the prime rate and a reduction of the loan principal from the prior year.

BUFFALO RACEWAY

Since September 1990, the Buffalo Trotting Association Inc., has been owned by the Erie County Agricultural Society. Although Erie is exempt from federal and state income taxes as a not-for-profit entity, Buffalo Trotting continues to be subject to income taxes.

Buffalo Trotting which has leased the race track property from Erie County Agriculture since 1940 continues to pay rent to Erie based on a percentage of the pari-mutuel commissions. Such rents, reflected with the general and administrative expense, amounted to \$115,560 in 1991 and \$129,890 in 1990. Erie may be required to pay income taxes on the rent revenues from the Buffalo Trotting Association.

Buffalo Trotting Association also continues to benefit from a 1986 amendment of Section 319 of the Racing Law. The full amounts of Buffalo's Capital Improvement commission revenues are paid over as additional rent to the Erie County Agricultural Society as lessor of the race track property. The capital improvement monies held by Erie must be used for additions, replacements, and remodeling of assets used in connection with the conduct of the horse race meetings at Buffalo Raceway. Erie in the past has paid no taxes on the capital improvement fund monies, but can be subject to taxes as a result of its acquiring ownership of Buffalo.

The transfer of the capital improvement monies as rent to Erie reduces the reported net income (or increases the reported net loss) of Buffalo by the full amounts of the capital improvement commissions. This distorts comparisons of Buffalo's operations with the other race tracks. For our analyses, capital improvement commissions are shown on the revenues and expenses schedule on the same lines as for the other tracks. As a result, the "profits (or losses) from racing" before and after capital improvement commissions are comparable with the other tracks.

The transfers of the capital improvement monies "rent" to Erie are included and represent part of "net other income or expense". The indicated "net losses" of \$188,507 for 1991 and \$215,060 for 1990 are the amounts reported by Buffalo. These reflect the full deductions of \$241,879 and \$272,447 for additional "rent". Had the capital improvement funds remained with Buffalo, the 1991 net income after taxes would have been about \$39,760 instead of the indicated \$188,507 loss. For 1990, a net profit of about \$49,840 would have been reported instead of the \$215,060 loss.

The fixed asset additions shown for 1991 and 1990 include expenditures covered by the capital improvement fund held by Erie County Agricultural Society.

FINGER LAKES

Finger Lakes Racetrack has indicated profits from racing since at least 1984. However, for the last three years the capital improvement commissions represented virtually all of net income before and after taxes.

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