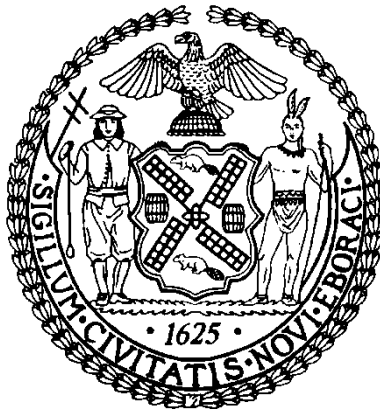


**CITY OF NEW YORK
OFFICE OF THE COMPTROLLER**

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COMPTROLLER**

FINANCIAL AUDIT

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Deputy Comptroller for Audit**



**Audit Report on the Compliance of Staten
Island Minor League Holdings, LLC
(SI Yankees) with Their Lease Agreement
November 1, 2007–October 31, 2009**

FM10-121A

November 9, 2010

<http://comptroller.nyc.gov>



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November 9, 2010

To the Residents of the City of New York:

My office has audited the compliance of Staten Island Minor League Holdings, LLC (SI Yankees) with its lease agreement with the Economic Development Corporation (EDC). We audit entities such as the SI Yankees as a means of ensuring that they comply with the terms of their agreements.

Under the lease agreement, the SI Yankees have the exclusive right to use and operate the Richmond County Bank Ballpark in Staten Island. The lease agreement requires that the SI Yankees pay the City annually, subject to certain attendance criteria, a base rent for actual game attendance and a ticket fee for each complimentary ticket issued and for each paid "no-show." In addition, the lease agreement requires that the SI Yankees pay a monthly rent for the team store and certain percentages of revenues generated from special event net income and advertising revenues. Finally, it requires that the SI Yankees submit to EDC each lease year an attendance report, a statement of special event net income, and a statement of signage (advertising) revenue.

The audit found that from November 1, 2008, to October 31, 2009, the SI Yankees underreported actual attendance for the 2009 baseball season and owes the City \$157,506—\$118,366 in base rent, \$39,140 for no-show and complimentary ticket holders. In addition, the SI Yankees took certain unallowable deductions in calculating net-signage revenues during 2007 through 2009 and owe the City \$151,058. Also, there is a lack of controls over the use of complimentary certificates, complimentary ticket forms, and the accountability for complimentary tickets. Lastly, the signage revenue reported to EDC was judgmentally based on a point allocation system that does not present a fair and equitable distribution to the City. Thus, the audit recommends that the SI Yankees pay EDC the total \$308,564 owed; enhance their controls over the distribution of complimentary tickets; and collaborate with EDC to establish a more fair and equitable method for reporting net-signage revenue to the City.

The results of the audit have been discussed with SI Yankees and EDC officials, and their comments have been considered in preparing this report. Their complete written responses are attached to this report.

If you have any questions concerning this report, please e-mail my audit bureau at audit@Comptroller.nyc.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "John C. Liu".

John C. Liu

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*The City of New York
Office of the Comptroller
Bureau of Financial Audit*

**Audit Report on the Compliance of
Staten Island Minor League Holdings, LLC
(SI Yankees) with Their Lease Agreement
November 1, 2007–October 31, 2009**

FM10-121A

AUDIT REPORT IN BRIEF

This audit determined whether Staten Island Minor League Holdings, LLC (doing business as the Staten Island Yankees) paid the New York City Economic Development Corporation (EDC) the rent due in accordance with lease provisions, submitted required reports, maintained required insurance, reimbursed EDC for electricity use, paid for water and sewer use, maintained the proper security deposit, and made the required capital sinking fund contributions.

On December 7, 2000, the City of New York, through EDC, signed a 20-year lease with the Staten Island Yankees (SI Yankees) for the use and operation of the Richmond County Bank Ballpark in Staten Island. The lease requires that the SI Yankees pay the City annually, subject to certain attendance criteria, a base rent for actual game attendance and a ticket fee for each complimentary ticket issued and for each paid “no-show.” In addition, the lease requires that the SI Yankees pay a monthly rent for the team store and certain percentages of revenues generated from special event net income and advertising revenues. Finally, the lease requires that the SI Yankees submit to EDC each lease year an attendance report, a statement of special event net income, and a statement of signage (advertising) revenue.

Audit Findings and Conclusions

The SI Yankees maintained the required property and liability insurance endorsing the City and EDC as additional insured parties; maintained the required \$50,000 security deposit with EDC; made the required sinking fund payments; and paid their electricity and water and sewer charges. Our review also noted that the SI Yankees did not owe rent for team store or special events for the audit period November 1, 2007, to October 31, 2009.

However, our review found that from November 1, 2008, to October 31, 2009, the SI Yankees underreported actual attendance for the 2009 baseball season and owes the City \$157,506—\$118,366 in base rent, \$39,140 for no-show and complimentary ticket holders. In

addition, the SI Yankees took certain unallowable deductions in calculating net-signage revenues during 2007 through 2009 and owe the City \$151,058.

Also, there is a lack of controls over the use of complimentary certificates, complimentary ticket forms, and the accountability for complimentary tickets. Lastly, the signage revenue reported to EDC was judgmentally based on a point allocation system that does not present a fair and equitable distribution to the City

Audit Recommendations

We make seven recommendations—five to the SI Yankees concerning the operation of the SI Yankees and two to EDC concerning the oversight of this concession. The following are some of the recommendations.

The SI Yankees should:

- Pay EDC the \$308,564—\$118,366 in base rent, \$39,140 for no-show and complimentary ticket holders, and \$151,058 for unallowable deductions to net-signage revenues.
- Enhance their controls over the distribution of complimentary tickets by:
 - developing and implementing a better system for issuing and tracking of all complimentary certificates and complimentary tickets by including a pre-printed number and a space on the certificate to log the date the certificate is redeemed, who redeemed the certificate, and the seat number issued for that certificate;
 - modifying the complimentary ticket forms to include pre-printed numbers and a space for the seat numbers issued; and
 - issuing complimentary tickets in accordance with the terms of the lease.
- Collaborate with EDC to establish a more fair and equitable method for reporting net-signage revenue to the City. The new method should include within its calculation a more realistic evaluation of the value of product placement in sponsorship agreements.

EDC Should:

- Ensure that the SI Yankees pay the City \$308,564—\$118,366 in base rent, \$39,140 for no-show and complimentary ticket holders, and \$151,058 for unallowable deductions to net-signage revenues—and that they comply with the report's other recommendations.

SI Yankees disagreed that they owe funds to the City. EDC officials agreed that the SI Yankees owe \$118,366 in base rent, \$39,140 for no-show and complimentary ticket holders, but disagreed that the SI Yankees owe \$151,058 for unallowable deductions to net-signage revenues.

INTRODUCTION

Background

On December 7, 2000, the City of New York, through EDC, signed a 20-year lease with the SI Yankees for the use and operation of the Richmond County Bank Ballpark in Staten Island. The lease commenced on May 1, 2001, and is monitored by EDC. The lease grants the SI Yankees the exclusive right to use the ballpark, sell game tickets, operate a team store, sell advertising, provide food and souvenir concessions, and lease the stadium for special events (i.e., art, concerts, culture, community, charity, civic, and amateur sporting events).

The lease requires that the SI Yankees pay the City annually, subject to certain attendance criteria, a base rent for actual game attendance and a ticket fee for each complimentary ticket issued and for each paid “no-show.” In addition, the lease requires that the SI Yankees pay a monthly rent for the team store and certain percentages of revenues generated from special event net income and advertising revenues. The lease also requires the SI Yankees to: deposit \$29,592 annually in a sinking fund that permits EDC to undertake capital projects at the stadium; pay for stadium electricity; pay for the stadium’s water and sewer use; maintain a \$50,000 security deposit with EDC; and carry comprehensive property and liability insurance that names the City and EDC as additional insured parties. Finally, the lease requires that the SI Yankees submit to EDC each lease year an attendance report, a statement of special event net income, and a statement of signage (advertising) revenue. Table I summarizes the payment provisions of the lease, adjusted by the Consumer Price Index (CPI), for the 2008 and 2009 baseball seasons:

Table I
Base Rent, Percentages of Revenues and Net Profit, and
Other Payment Requirements Required by the Lease
CPI Adjusted for Baseball Seasons 2008 and 2009

Rent Payments:	Amount and Description:
Base Rent for Game Attendance	Ranges from \$0 to \$603,668, including \$118,366 ^(a) when actual attendance ^(b) is 125,001–145,000.
No-Shows and Complimentary Tickets	\$0.55 for each complimentary ticket issued and for each paid no-show for each lease year in which actual attendance exceeds 125,000. ^(c)
Capital Contribution (Sinking Fund)	\$29,592 annually, paid into a sinking fund, due March 1 and October 31. ^(d)
Special Event Net Income	30% of shared special events net income in excess of \$169,264 (adjusted for CPI) ^(e)
Stadium Advertising Revenue (Net-Signage Revenue)	50% of revenue received from advertising capped at \$295,916 (adjusted for CPI) ^(e)
Team Store	No rent for the team store is due during the baseball season. Rent is payable only during the off season and only if the team store is open five or more calendar days. Monthly rent due is calculated at \$5.00 per square foot of the team store’s gross area multiplied by one-twelfth.

^(a) Section 3.01(a) (i) states that the dollar amounts “shall be subject to a CPI Adjustment at the commencement of the fourth (4th) Lease Year, and at the commencement of every third (3rd) Lease year thereafter.” No base rent is due when actual attendance is at or below 125,000. Beginning with the seventh lease year, the CPI factor raised the base rent amount from \$100,000 to \$118,366 when actual attendance is between 125,001 and 145,000. The CPI adjusted base rent increases in steps to a maximum of \$603,668 if actual attendance reaches more than 245,000 persons

^(b) Section 3.01(a) (ii) of the lease defines “actual attendance” for a particular lease year as “the total number of ticket-holders, other than Complimentary Ticket-holders, who actually attended Team Games . . . Actual Attendance shall not include persons who purchased tickets for but did not attend Team Games at the Premises.”

^(c) Section 3.01(b) of the lease states, “For each Lease Year in which Actual Attendance exceeds 125,000. . . Base Rent shall include an amount equal to Fifty Cents (\$0.50) (which amount shall be subject to a CPI adjustment at the commencement of the fifth Lease Year and at the commencement of every fifth Lease year thereafter) times the total of the No-Show count and Complimentary Ticket-holders (excluding holders of Complimentary Tickets issued to the City) during the applicable Lease Year.” Beginning with the fifth lease year, the CPI factor raised this amount to \$0.55 per ticket.

^(d) Section 10.05(a) (i) of the lease states, “During each Lease Year of the Term, Tenant shall pay the amount of Twenty-Five Thousand Dollars (\$25,000) into a sinking fund (the ‘Sinking Fund’). Such amount shall be subject to a CPI Adjustment at the commencement of the fourth (4th) Lease Year, and at the commencement of every third (3rd) Lease year thereafter.” For years 2006, 2007 and 2008 the CPI factor raised this amount to \$29,592.

^(e) Shared special events net income and net signage revenue are subject to a CPI adjustments at the commencement of the fourth lease year, and at the commencement of every third lease year thereafter.

For the two-year audit period—November 1, 2007, through October 31, 2009—the SI Yankees paid the City \$187,042 in fees, as shown in Table II following.

Table II
Schedule of Revenue Paid
November 1, 2007, through October 31, 2009

Type of Payment	Revenue Paid November 1, 2007 through October 31, 2008	Revenue Paid November 1, 2008 through October 31, 2009	Total Revenue November 1, 2007 through October 31, 2009
Base Rent for Game Attendance	0	0	0
No-Shows and Complimentary Tickets	0	0	0
Sinking Fund	29,590	29,590	59,180
Special Event Net Income	0	0	0
Net-Signage Revenue	\$115,437	\$12,425	\$127,862
Team Store	0	0	0
Total Revenue Due	\$145,027*	\$42,015	\$187,042

*In 2008, the SI Yankees were required to pay the City \$145,027. However, the SI Yankees were due a credit of \$44,759 from an overpayment they made in 2007. As a result, they were required to pay the City only \$70,678 in 2008.

Objectives

The objectives of this audit were to determine whether the SI Yankees:

- paid EDC the rent due in accordance with lease provisions; and
- submitted required reports, maintained required insurance, reimbursed EDC for electricity use, paid for water and sewer use, provided the proper security deposit, and made the required capital sinking fund contributions.

Scope and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

This audit covered the period November 1, 2007, through October 31, 2009. Our prior audit #FN07-088A covered the period January 1, 2005, through October 31, 2006. To achieve our audit objectives, we reviewed and abstracted the relevant terms and conditions of the lease and its amendments. To determine whether the SI Yankees remitted the required statements to EDC and paid all fees due EDC, we reviewed EDC file records including EDC's tenant history ledger, SI Yankee rent statements, check payments, insurance certificates, and all relevant correspondence between the SI Yankees and EDC.

We evaluated the internal controls over the SI Yankee ticket and revenue collection and reporting processes. To understand the organization's operating procedures, we interviewed SI Yankee officials, conducted a walkthrough of the operations and familiarized ourselves with the SI Yankees' accounting and record-keeping functions. We documented our understanding of the internal controls through written narratives.

To test the reliability of the Attendance Section Map Report and seat manifest, we conducted a walking tour of the stadium. We counted the seats and tables in the general admission picnic area and the number of luxury suites of the stadium. For the bowl area of the stadium, we judgmentally selected the five sections with the greatest number of seats, and counted each seat in that section. We then compared our observations to the Attendance Section Map Report and the seat manifest to determine whether any seats were missing from the Ticketmaster reports.

To test the reliability of the Ticketmaster ticketing system, we obtained Ticketmaster's "Report on Controls Placed in Operation and Tests of Operating Effectiveness" prepared by Ernst & Young LLP. Since this report provides an opinion on Ticketmaster's control environment but not on an individual client's (SI Yankees) control environment (i.e., the effectiveness of controls), we conducted additional tests to determine the reliability of the SI Yankees' use of the Ticketmaster system. We created a simulated test event to review how tickets are scanned. During this test event, we tried scanning tickets multiple times and also scanned a ticket after it was voided and reissued. We then printed out the results of our scanning efforts which showed the successful scans as well as the rejected scans.

To test the reliability of the records generated by the Ticketmaster system that are used to calculate actual attendance, we judgmentally selected the three games in 2008 and the three games in 2009 with the highest number of tickets distributed. For each of the games, we obtained Ticketmaster Host's "Attendance Section Map Report" and Archtics "V_attendance" reports that detail the total number of seats sold (paid and complimentary) and the actual seats attended. We prepared a seat manifest that indicated whether each seat was paid or complimentary and whether or not the ticket holder attended that game. We then compared the actual attendance for each of the games we reviewed to the actual attendance reported to EDC.

In addition, we conducted an unannounced observation of a game played during the 2010 baseball season. We purchased baseball tickets through the advance sale ticket window and attended a home game on June 23, 2010. We arrived prior to the opening of the gates and witnessed whether all entrants to the stadium entered with a ticket and used turnstiles. We observed the manner in which ticket takers scanned tickets at all the gates and noted whether any

non-ticket holders were granted access to the stadium. We documented our observations through memoranda.

To determine whether the SI Yankees paid the required signage fees to EDC, we traced the revenue amounts due from the sponsorship contracts to the SI Yankees' general ledger. We determined whether any credits due the SI Yankees in previous years were accurate and whether the SI Yankees' calculations of net signage revenue were accurate. We then reviewed EDC's records to determine whether any payments due EDC were made accordingly.

To determine whether the SI Yankees accurately reported special events net income to EDC and paid the appropriate fees, if any, for the 2008 and 2009 lease years, we compared the reported amounts for special events to the supporting documents that included special event calendars and cash receipts and cash disbursements ledger accounts. We then traced those amounts to the SI Yankees' special events calendars, special events agreements, computerized ticketing system event detail reports, vendor invoices, and check payments.

To determine whether the SI Yankees maintained the proper insurance coverage and that the City and EDC were named as additional insured parties, we examined the SI Yankees' certificate of insurance. In addition, we contacted the insurance company to check whether the SI Yankees policy is up to date. To determine whether water and sewer charges were paid, we reviewed the billing records maintained by the Department of Environmental Protection. To determine whether electricity charges were paid, we reviewed the billing statements and copies of canceled checks. To determine whether the SI Yankees deposited the proper amount as security and made the proper capital sinking fund contributions, we obtained copies of the canceled checks and traced the amounts on the checks to EDC's books and records.

Discussion of Audit Results

The matters covered in this report were discussed with SI Yankee and EDC officials during and at the conclusion of this audit. An exit conference was held on September 14, 2010. On September 23, 2010, a draft report was submitted to SI Yankee and EDC officials with a request for comments. We received written responses from the SI Yankees and EDC on October 6, 2010.

The SI Yankees agreed with the recommendations regarding reporting luxury suites and the internal controls over complimentary tickets. However, they strongly disagreed with the findings and recommendation to pay EDC the \$308,564—\$118,366 in base rent, \$39,140 for no-show and complimentary ticket holders, and \$151,058 in unallowable deductions to net-signage revenues claiming that neither are supported by the clear language of the lease.

Our detailed review of the documents the SI Yankees provided found that none included sufficient evidence to cause us to change our position.

Regarding the audit's recommendations addressed to EDC, EDC agreed to credit the SI Yankees \$538 for the overpayment of 2008 net-signage revenues and partially agreed with the

recommendation regarding payments owed by the SI Yankees. EDC stated that the tenant's internal controls for ticket classification and tracking could be more effective and appropriately detailed reports were not available and not provided for review by EDC. Therefore EDC will bill and collect the appropriate amount of base rent and other charges due with respect to tickets and attendance for the 2009 season.

However, EDC disagreed with the rest of the recommendation, stating that it disagrees with the Comptroller's conclusion that the LED signage board expenses cannot be a part of the calculation of Net Signage Revenues and remains confident that the calculation of these revenues by EDC and the tenant was correct.

Although we agree with EDC's assertion that the SI Yankees have "*not provided sufficient proof that Actual Attendance should be reduced*" (Emphasis added), we disagree with EDC's position that the calculation for net-signage revenues was correct. As we discussed in our report, §10.05(b)(ii) of the lease states, "In addition to its Capital Contribution" the tenant is to be responsible for major work related to improvements, including new advertising signage structures. §10.05(b)(ii) does not say the tenant's capital contribution includes *all* major work for tenant improvements.

Finally, the SI Yankees also stated, "We are confident that, in the unfortunate event that the Comptroller's Office does not reconsider its position and we are left with no choice but to take this matter to arbitration, that the arbitrators will agree that the definitions in and language throughout the lease are clear and the positions taken by the Comptroller's Office are unsupported by the express language of the lease and therefore erroneous."

The threat of arbitration does not alter the position of the Comptroller's Office on these matters.

The full text of the responses from the SI Yankees and EDC are included as addendums to this report.

FINDINGS

The SI Yankees maintained the required property and liability insurance endorsing the City and EDC as additional insured parties; maintained the required \$50,000 security deposit with EDC; made the required sinking fund payments, and paid their electricity and water and sewer charges. Our review also noted that the SI Yankees did not owe rent for team store or special events for the audit period November 1, 2007, to October 31, 2009.

However, our review found that from November 1, 2008, to October 31, 2009, the SI Yankees underreported actual attendance for the 2009 baseball season and owes the City \$157,506—\$118,366 in base rent, \$39,140 for no-show and complimentary ticket holders. In addition, the SI Yankees took certain unallowable deductions in calculating net-signage revenues during 2007 through 2009 and owe the City \$151,058.

Also, there is a lack of controls over the use of complimentary certificates, complimentary ticket forms, and the accountability for complimentary tickets. Lastly, the signage revenue reported to EDC was judgmentally based on a point allocation system that does not present a fair and equitable distribution to the City. As such, this allocation system should be revised to reflect a more equitable distribution of signage revenue for the City. These matters are discussed in detail in the following sections of this report.

Underreporting of Actual Attendance Results in Incorrect Calculations of Rent Due the City

The SI Yankees underreported actual attendance to EDC for lease year 2009 by 1,756. Thus they did not correctly calculate base rent and no-shows. Consequently, the SI Yankees owe the City \$157,506—\$118,366 in base rent and \$39,140 for no-shows and complimentary ticket holders.

During lease year 2009, the SI Yankees reported to the City that its actual attendance was 123,572, which is below the 125,000 actual attendance threshold for base rent payments due the City. However, our review of Ticketmaster Host's Attendance Section Map Report and Archtics V_attendance reports found that the actual attendance for lease year 2009 was 125,328, a difference of 1,756. The SI Yankees inappropriately deducted seven sponsor suites from the calculation of actual attendance by including the seven sponsor suites in the complimentary seats calculation. The deduction of suite attendance taken by the SI Yankees reduced the reported actual attendance for lease year 2009 by 1,756 attendees.

Section 3.01(a) (ii) of the lease defines "actual attendance" for a particular lease year as "the total number of ticket-holders, other than Complimentary Ticket-holders, who actually attended Team Games . . . Actual Attendance shall not include persons who purchased tickets for but did not attend Team Games at the Premises." The lease, under Article I, further defines complimentary tickets as "tickets to Team Home Games that are distributed or donated free of charge by tenant for any community, civic, or charitable purpose, or by Tenant to (a) any Team or visiting baseball team personnel and/or (b) Persons associated with professional baseball."

The sponsor suites, along with season tickets and group tickets, are given to sponsors as part of SI Yankee advertising and signage packages and are not used for community, civic, or charitable purposes. Therefore, they do not meet the definition of complimentary tickets as defined in the lease. To correctly calculate base rent owed the City, the SI Yankees should not have excluded the sponsor suites from their calculation of actual attendance.

Since the SI Yankees did not properly calculate rent due the City, we recalculated actual attendance for lease year 2009 by following the methodology in the agreement and using the figures reported to the City in the SI Yankees' season summary attendance report, as shown in Table III, following.

Table III
Schedule for Actual Attendance and Additional Fees Due
November 1, 2008–October 31, 2009

	SI Yankee Calculation	Auditor Calculation	Difference
Total Tickets Sold	178,935	183,142	4,207*
Total Complimentary Tickets Issued	18,257	14,050	(4,207)
Total Tickets Distributed	197,192	197,192	0
Less Comp Tickets Issued (Non-City)	(17,557)	(13,350)	4,207
Less No-Shows	(55,363)	(57,814)	(2,451)**
Less Tickets Issued to the City	(700)	(700)	0
Actual Attendance	123,572	125,328	1,756***
Amount of Base Rent Due	\$0	\$118,366	
Less Amount Paid by SI Yankees		\$ 0	
Additional Base rent Due		\$118,366	

*4,207 is the total number of complimentary tickets issued for the use of seven sponsor suites.

**2,451 is the number of unused complimentary sponsor suite tickets (No-Show).

***1,756 is the number complimentary sponsor suite tickets used to attend games.

Underpayment of \$39,140 in Rent for No-Shows and Complimentary Ticket Holders

Since the SI Yankees did not calculate no-shows and complimentary ticket holders properly, they did not calculate actual attendance properly and owe the City \$39,140 in rent. Section 3.01(b) of the lease states, "For each Lease Year in which Actual Attendance exceeds 125,000. . . Base Rent shall include an amount equal to Fifty Cents (\$0.50) (which amount shall be subject to a CPI adjustment at the commencement of the fifth Lease Year and at the commencement of every fifth Lease Year thereafter) times the total of the No-Show count and Complimentary Ticket-holders (excluding holders of Complimentary Tickets issued to the City) during the applicable Lease Year." Beginning with the fifth lease year, the CPI factor raised this amount to \$0.55 per ticket. The SI Yankees owe the City an additional \$39,140—\$31,798 for no-shows (see Table IV) and \$7,342 for complimentary ticket holders (see Table V).

Table IV
Schedule of No-Show Calculations and Additional Fees Due
November 1, 2008–October 31, 2009

Total Tickets Distributed:	197,192
Less Complimentary Tickets Issued (Non-City)	(13,350)
Less Complimentary Tickets Issued (City)	(700)
Total Tickets Sold	183,142
Less Actual Attendance (audit calculation)	(125,328)
Total No-Show Count	57,814
Amount Due Per No-Show	\$0.55
Total Additional Amount Due for No-Shows	\$31,798

Table V
Schedule of Complimentary Ticket Calculations and Additional Fees Due
November 1, 2008–October 31, 2009

Complimentary Tickets Issued	14,050
Less Complimentary Tickets Issued to the City	(700)
Total Complimentary Tickets Issued (Non-City)	13,350
Amount Due Per Complimentary Ticket Issued	\$0.55
Total Amount Due for Complimentary Tickets	\$7,342

SI Yankee Response: In his response, the SI Yankee President stated, “While we will abide by the recommendation to count suite tickets included in sponsorship agreements towards our Actual Attendance calculation, we disagree with the calculations that yielded the 1,756 seats referenced in the Draft Report.”

The SI Yankee President added that “we identified several suite nights included in the calculation of the 1,756 seats that were donations and appropriately included in our Complimentary Ticket calculation as they were distributed for charitable purposes, in accordance with the lease. These suites were donated to Staten Island University Hospital, College of Staten Island, Richmond University Medical Center, Hungerford School, and New York Says Thank You (as a hospitality suite for their volunteers who participated on Military Appreciation Day on July 26, 2009). We further discussed these donations in great detail during the Exit Conference on September 14, 2010, and indicated that we would provide letters from each organization acknowledging the donated suite nights during the 2009 season. Letters from Staten Island University Hospital, College of Staten Island, Richmond University Medical Center, and Hungerford School were provided to the Comptroller’s Office via email following the Exit Conference, and are again provided as part of this correspondence.”

The SI Yankee President further added that “The definition of Complimentary Tickets is clearly stated in the lease: ‘Complimentary Tickets means tickets to home team games that are distributed or donated free of charge by tenant for **any** (emphasis added)

community, **charitable**, or **civic purpose** (emphasis added), or by tenant to (a) any Team or visiting team personnel and/or (b) Persons associated with professional baseball.’

“The position of the Draft Report attempts to impose limitations as to which purposes qualify as ‘charitable’ and attempts to disqualify any charitable donations to organizations that may also have an unrelated business relationship with the Staten Island Yankees. If it were the intent of the lease to impose limitations on ‘. . . charitable or civic purpose’ then the definition would have been written to reflect that intent. It clearly was not.

“These donations fall squarely under the definition of Complimentary Tickets as defined by the lease and should be deducted from the 1,756 ‘sponsor suite’ tickets identified in the Draft Report. The position taken by the Comptroller’s Office on this issue is not supported by the express language of the lease and is tantamount to the imposition of terms and conditions that simply do not exist in the lease. Therefore, 165 suite tickets should be excluded from the 1,756 suite tickets referenced in the Draft Report.

“In the documentation provided the Comptroller’s Office on July 23, 2010, we also raised the issue of several seats included in our Actual Attendance calculation that should have been counted towards our Complimentary Ticket calculation as they squarely fall under the definition of Complimentary Tickets.

“We identified two examples of House Seats assigned to the Sponsorship Sales and Sponsorship Services Departments which were coded to the employee’s last names rather than to their respective departments. When we raised this point with the Comptroller’s Office we were told that they did not qualify as Complimentary Tickets since they may not have been used for ‘any community, charitable, or civic purpose.’ The definition of Complimentary Tickets does not require tickets issued to Team Personnel to be used for community, charitable, or civic purposes. Furthermore, the ‘end use’ of the tickets is irrelevant as the lease provides no restrictions on who ultimately occupies the seats.

“Yet again, the definition of the Complimentary Tickets is clear: ‘Complimentary Tickets means tickets to home team games that are distributed or donated free of charge by tenant for any community, charitable, or civic purpose, **or** (emphasis added) by tenant to **(a) any Team or visiting team personnel** (emphasis added) and/or (b) Persons associated with professional baseball.’

“The lease provides absolutely no limitations or restrictions on the way in which a Complimentary Ticket is ultimately used as long as it is ‘. . . distributed or donated free of charge by tenant for any community, charitable, or civic purpose, **or** (emphasis added) by tenant to **(a) any Team or visiting team personnel** (emphasis added) and/or (b) Persons associated with professional baseball.’”

The SI Yankee President concluded, “Collectively, as indicated in documents provided on July 23, 2010, and discussed in the Exit Conference on September 14, 2010, the 1,756 seats referenced in the Draft Report should be reduced by 464 seats for a revised Actual Attendance number of 124,864.”

Auditor Comment: We continue to believe that the evidence is clear: The SI Yankees underreported actual attendance, which resulted in an incorrect calculation of rent due the City. The Comptroller’s reconciliation of 2009 actual attendees resulted in a questionable accounting discrepancy that found all 1,756 luxury suite tickets were improperly coded as complimentary tickets and thus were excluded from actual attendance. This deduction of luxury suite tickets from the reported actual attendance for lease year 2009 resulted in the SI Yankees forgoing the payment of base rent. We question why the SI Yankees in 2009 would change the coding of luxury suite tickets, when in 2008 the luxury suites were either coded as Sponsor or Not Comp, and then for the first five games of the 2010 season again coded these same luxury suite tickets as Sponsor—unless the change was to avoid paying base rent.

Further, we reviewed the documents provided by the SI Yankees and concluded that the documentation did not provide sufficient, appropriate evidence to change our findings and conclusions. The documentation provided included letters that were written subsequent to the release of the draft audit report—a year *after* the organizations received the complimentary tickets. Additionally, the SI Yankees did not provide sufficient documentation to support its claim that house seats assigned to the Sponsorship Sales and Sponsorship Services Departments were [mis]coded to the employees’ last names rather than to their respective departments. Without sufficient, appropriate evidence, we could not verify their claim that we should revise our adjusted calculation of actual attendance.

We also like to note that the SI Yankees ignore the audit’s finding regarding the lack of controls over the issuance of complimentary tickets. As discussed in body of the report, the SI Yankees could not provide documentation indicating that an additional 5,044 tickets issued as complimentary met the lease definition of complimentary tickets. If 10 percent of these tickets were issued or coded incorrectly, the SI Yankees’ entire argument would be moot.

**Lack of Internal Controls
Over Complimentary Tickets**

We reviewed all complimentary certificates and complimentary ticket forms for the 2009 baseball season and we found a total lack of internal controls over their use. The complimentary certificates are not pre-numbered, have no date recorded to indicate when the certificate was redeemed, and they lack the name of the person who redeemed the certificate. Finally, not all of the certificates we reviewed were the original certificates; they were photocopies. Since the certificates are not pre-numbered and the redeemed certificates lack a record of the game and holder’s name, we were unable to trace the certificates to the Ticketmaster Host’s Attendance Section Map Report or Archtics V_attendance reports.

The complimentary ticket forms are likewise not pre-numbered; however, there is a column on the form for the date of the game requested and individual space for signatures of the person who requests, approves, and processes the tickets. We noted that some of the complimentary forms lacked either an approval, requesting or processing signature. We were

also not able to trace all of the names listed on the complimentary ticket forms to the Ticketmaster Host's Attendance Section Map Report or Archtics V_attendance reports because a complimentary ticket for an employee would be listed under "Employee Comps," not the employee's name. Also, tickets reserved for baseball players would be listed under "Player Tickets," not the baseball player's name or the name of the family member listed on the complimentary ticket form.

Our review of the complimentary ticket forms also found that not all of the tickets met the definition of a complimentary ticket. The lease, under Article I, defines complimentary tickets as " tickets to Team Home Games that are distributed or donated free of charge by tenant for any community, civic, or charitable purpose, or by Tenant to (a) any Team or visiting baseball team personnel and/or (b) Persons associated with professional baseball." We reviewed one complimentary ticket form that was for an employee's friend who wanted to bring his son to a game for doing well in school.

Since we could not always match an exact name on the documentation provided with those on the Ticketmaster reports, we added the total number of tickets listed on all of the complimentary ticket forms as well as the number of tickets listed on the complimentary certificates report for 2009 and came up with a total of 2,487 complimentary tickets. Ticketmaster Host's Attendance Section Map Report and Archtics V attendance reports listed 13,350 Non-City complimentary tickets issued for the 2009 baseball season (after deducting the number of complimentary tickets issued for the use of seven sponsor suites) and it listed the actual complimentary attendance as 7,531, which left 5,044 (7,531-2,487) issued complimentary tickets with no supporting documentation. Without documentation, we have no way to determine whether or not these tickets were in fact complimentary tickets and whether they should have been included in the actual attendance count reported to EDC.

As the SI Yankees approach and surpass the actual attendance threshold as defined in the lease agreement that trigger a base rental payment to the City, every ticket issued and redeemed is critical in determining accurate actual attendance and no-show counts. Therefore, the SI Yankees must have strong internal controls over every complimentary ticket they issue.

SI Yankees' Signage Revenue Formula Does Not Benefit the City Fairly and Equitably

Our review of the SI Yankee records for lease year 2008 found that they overreported total sponsorship revenue by \$9,040, resulting in an overpayment to EDC of \$538. However, this amount is based on a new method of calculating net signage revenues that does not benefit the City fairly and equitably.

In 2008, the SI Yankees changed their methodology of reporting net signage revenues¹ to EDC. The methodology went from assigning dollar amounts to each component of a sponsorship package to subjectively assigning points to each of the components.

¹ Section 7.04 (d) of the lease defines net signage revenues as "all revenues, amounts, receipts, fees, proceeds, property (valued according to its fair market value), and other forms of consideration that are received by or for

The SI Yankees offer different types of sponsorship packages; a variety of components make up each package. Some components are not considered signage, including season tickets, group tickets, use of a luxury suite, and ads in their *Playball* magazine, which is given to fans who attend each home game. The remaining components are considered signage, including outfield fence signs, the outfield LED Video Wall, and scoreboard signage. Since the SI Yankees are required to pay EDC only on revenue from the signage components, they divide total sponsorship revenue into non-signage components and signage components.

In 2007, the SI Yankees assigned dollar values to each of the sponsorship components and paid EDC based on the signage components of the sponsorship packages. In 2008, the SI Yankees attempted to use the same methodology and assigned dollar amounts to all of the non-signage components of the sponsorship packages. The difference between the sponsorship fees they received and the dollar value assigned to the non-signage components was considered the signage revenue. However, four of their sponsorship packages resulted in negative dollar amounts for the signage components, hence zero revenue for the City.

Both SI Yankee officials and EDC officials agreed that this method was flawed for 2008 calculations because the four packages with negative dollars for signage components included such visible and desirable advertising as the LED Video Wall and other signs in the stadium; therefore, the signage component should not result in a negative amount owed to the City. In 2008, the SI Yankees changed their method to an allocated “point system.” Under the point system, each component of a sponsorship package is assigned a point value, ranging from one-third of a point to a full point. To determine the percentage allocated to signage, all signage points are totaled and then divided by the overall point total of the sponsorship package. To determine the value of signage, the signage percentage is then applied to the overall value of the sponsorship package. For example, if a \$10,000 sponsor package totaled 10 points, and the signage components totaled 3 points, then the signage portion is 30 percent of the sponsor package. Thus, \$3,000 would be considered signage revenue (30 percent of \$10,000). Since every component now has a point value, there will be no negative values associated with any signage component of a sponsorship package. However, the system is still flawed because the Staten Island Yankees *subjectively* assign the point values to the different components of their sponsorship packages.

The table on the following page shows the point values assigned to the different components of the sponsorship packages. The components labeled level 1, level 2, and level 3 are considered non-signage components and do not generate revenue due the City. The remaining components are the signage components that do generate revenue due the City.

the account of Tenant or an Affiliate from the exploitation by tenant of any Advertising Signage or the Naming Rights (collectively, ‘Signage Revenue’), less all costs actually incurred by Tenant.”

Table VI

Examples of the 2008 Point System Used to Calculate Signage Revenue Due City

Inventory	Sponsor 1	Sponsor 2 Dominant Partner	Sponsor 3 1/2 Dominant: Partner	Sponsor 4 <i>Playball</i>	Sponsor 5 Fireworks	Sponsor 6 Product Placement:	
Non-Signage components							
Level 3	Mascot Use	1/3	1/3	1/3	1/3	1/3	
Level 3	Use of marks and logos	1/3	1/3	1/3	1/3	1/3	
Level 3	Web Link	1/3	1/3	1/3	1/3	1/3	
Level 3	VIP Parking	1/3	1/3	1/3	1/3	1/3	
Level 2	Season Tickets	2/3	2/3	2/3	2/3	2/3	
Level 2	Group Tickets	2/3	2/3	2/3	2/3	2/3	
Level 2	Suite	2/3	2/3	2/3	2/3	2/3	
Level 2	Sponsor Kids Day		2/3	2/3	2/3	2/3	
Level 2	Day at Park	2/3	2/3	2/3	2/3	2/3	
Level 1	Newspapers ads		1	1	1	1	
Level 1	Ballpark Tabling (one sales table)	1	1	1	1		
Level 1	Nightly <i>Playball</i> Ad	1	1	1		1	
Level 1	Promotional Ad in <i>Playball</i>		1	1			
Level 1	Tri Fold Inside Front Cover		1		1	1	
Level 1	<i>Playball</i> Logo	1	1		1	1	
Level 1	Promotion	1	1	1	1		
Level 1	Name and Logo on Collateral Materials	1					
Level 1	Tickets (Logo Front/Back)	1					
Level 1	Radio, Television, and Print Advertising	1					
Signage components:							
	Outfield Fence Sign						
	Suite Fascia Signage	1	1		1		
	Concourse Signage	1	1		1		
	Section Sponsorship	1	1	1			
	LED Video Wall	1	1	1	1	1	
	Dugouts	1					
	Base Path Signage	1					
	On-Deck Signage	1					
	Entrance Signage	1					
	Foul Poles	1					
	Speed Pitch Sign		1				
	Fun Zone Signage						
	Naming Rights	16					
	Scoreboard Signage	1	1	1			
TOTAL COMPONENTS (Weighted Points)		37	18	12	13	6	8
NON-SIGNAGE COMPONENTS POINTS		11	12	9	10	5	8
SIGNAGE COMPONENTS POINTS		26	6	3	3	1	0
NON-SIGNAGE COMPONENTS VALUE		\$104,051	\$128,772	\$44,571	\$37,776	\$4,118	\$42,000
SIGNAGE COMPONENTS VALUE TO CITY		\$245,949	\$66,228	\$15,429	\$11,724	\$882	\$-
SPONSORSHIP FEE		\$350,000	\$195,000	\$60,000	\$49,500	\$5,000	\$42,000
% of Sponsorship \$ Assigned to Signage		70%	34%	26%	24%	18%	0%

As shown in the Table VI, by assigning each sponsorship component a point value, the SI Yankees and EDC were assured of assigning positive value to the signage components for the different levels of sponsorships (except for product placement), whereas the old dollar method did not. However, as the above table also shows, the point values do not address the wide range of advertising potential for various sponsorship components.

The new point system is not properly weighted when compared to the dollar amounts initially presented to EDC. For example, under the dollar method, a full luxury suite that seats

20 for every home game was valued \$39,000, a nightly *Playball* advertisement was valued at \$28,500, and a table set-up at the ballpark to promote a product (“ballpark tabling”) was valued at \$19,000. Under the new point allocation system, the luxury suite for all home games was valued at two-thirds of a point. In contrast, the nightly *Playball* ad and the ballpark tabling, both valued before as less than the luxury suite, are now both worth more than the luxury suite, one point each. Not only are these components now valued at a higher level than the luxury suite, they are also assigned the same point value even though there is a \$9,500 difference between the dollar values of the components.

In another example, the LED Video Wall and a table set-up at the ballpark are both assigned one point each. However, the LED Video Wall is approximately 190 feet wide and 6 feet high, while the table set up is just a table (i.e., Daily News table used to sell subscriptions). Anyone who has a seat in right field (sections 13–17 for example) can enter the right field gate, buy snacks in the right field concession stand, and buy beer at the Coors Light Beer Garden and never go near the Daily News table, which is situated at another gate. This same person, however, would be exposed to the LED Video Wall throughout the entire ball game, where the ads are refreshed throughout the entire ball game, yet in a clear misrepresentation of the real value of product placement, both components are valued the same at a point each.

In a third example, the SI Yankees valued a nightly *Playball* ad at one point, a promotional ad in *Playball* at one point, the tri-fold inside front cover at one point, and the *Playball* logo at one point. *Playball* is the magazine that is handed out to everyone who attends a SI Yankee home game; therefore, the only people who see the magazine are those who attend one of the approximately 38 home games each year. In contrast, the SI Yankees also assigned a sign adjacent to the video scoreboard at one point and an outfield wall sign one point. However, both the scoreboard sign and an outfield sign are visible throughout the year and can be seen not only by everyone who attends a ballgame but also by anyone who walks by the ballpark on their way to the Staten Island Ferry. An ad in a limited distribution magazine (5 ½ inches by 8 ½ inches) cannot carry the same weight as a sign adjacent to the video scoreboard (approximately 8 feet wide and 20 feet high) or a left field permanent panoramic sign (approximately 20 feet wide and 8 feet high) that can be seen year-round.

Second, when the point system was used, the same point level was used for components that varied under the dollar method. For example, in 2008, under the old system that assigned dollar amounts to each category, the SI Yankees valued the use of their mascots at \$500, and having a table at the ballpark to sell a product was valued at \$19,000. Under the new point allocation system, the use of mascots was one-third of a point, and the nightly *Playball* advertisement and ballpark tabling were one point each. If the cost of mascots is valued at \$500 and is a third of a point, then a full point should be three times that amount, or \$1,500. At \$28,500, a nightly *Playball* advertisement should be 19 points instead of one point. At \$19,000, ballpark tabling should be 12 2/3 of a point instead of one point.

In addition, when the SI Yankees originally presented to EDC the dollar method for 2008, the signage income for the sponsorship packages that had positive amounts for signage components was 48.26 percent of total sponsorship packages (this figure excludes the four sponsorship packages that had negative dollar amounts for their signage components). However,

under the new subjective point allocation system, signage income was only 37 percent of the total sponsorship package. When the SI Yankees went from the dollar-value system to the point system, the signage portion of the packages was essentially devalued from 48 percent to 37 percent.

The new point method does not apply any points to the product placement agreements towards the calculation of net-signage revenue. SI Yankee officials stated that product placement agreements do not include signage as a billable component within the agreements. However, some products like Premio sausages and Dietz & Watson hot dogs have mobile carts in the stadium that include signage to promote their products; their agreements should therefore include points for signage for the calculation of revenue due EDC.

Finally, we attempted to purchase a single sign at the ballpark and were told by SI Yankee officials that potential sponsors may not purchase just one sign; a total sponsorship package must be purchased. Packages have multiple components, some of which are signage and some of which are non-signage (such as advertising in *Playball*). It is a corporate policy of Mandalay Baseball to deny packages that include just signage; instead, it prefers corporate packages that contain a variety of sponsorship components—and produce greater fees. Since a sponsor must buy a whole sponsorship package, the SI Yankees' sponsorship packages do not fairly weight the potential income of signage due the City.

As all the above examples show, the use of the point allocation system is judgmental and does not properly benefit the City. Furthermore, in 2009, the SI Yankees received approximately \$1.29 million in sponsorship revenues, which, after expenses, resulted in a payment to the City of only \$12,425 or one percent of its total sponsorship revenue. Clearly the method used to calculate net-signage revenue is not fair and equitable. The SI Yankees and EDC should discuss this methodology further and reassess the point allocation system to assure the City a more fair and equitable portion of the signage revenue.

Unallowable Deductions Result in Additional Fees Due the City Totaling \$151,058

SI Yankees did not properly calculate their net-signage revenues, which is the basis for ascertaining the amount of signage revenues owed to the City and is reported on the Summary Schedule of Rent Calculation. As previously mentioned, net-signage revenues is calculated by totaling all revenues less all expenses and the balance is then shared equally between the SI Yankees and the City. However our review of the SI Yankees' Summary Schedule of Rent Calculation noted that during years 2007 through 2009, the SI Yankees took several unallowable deductions totaling \$302,116 related to the cost and installation of a LED Video Wall (a 200-foot-wide high definition digital wall used to project sponsor advertisements). Consequently, the SI Yankees owe the City an additional \$151,058 in rent.

During 2006, the SI Yankees installed an LED Video Wall on the right field wall to enhance its advertising signage. To offset the cost and installation, SI Yankees deducted these expenses as a credit against to the signage revenue received as part of its sponsorship packages.

However, according to the lease, all expenses relating to new advertising structures are to be paid by the SI Yankees. §10.05(b)(ii) of the lease states that, in addition to its capital contribution obligation, the tenant is to be responsible for major work related to improvements for the tenant, including new advertising signage structures.

Though we do not agree with the SI Yankees’ revenue formula for calculating net-signage revenues, we used their reported revenue figures as a baseline to recalculate net-signage revenue. In doing so, we excluded the costs and installation of the LED Video Wall from the expenses and reassessed the amount actually due the City. Table VII, below, shows the unallowable deductions to net-signage revenue and our recalculation of the resulting amount due the City.

Table VII
Schedule of Additional Signage Fees Due
For Unallowable Deductions to Net-Signage Revenue

LED WALL COSTS:				
Lease Costs 2009	\$184,742			
Installation 2007	103,624			
Reinstallation of Fence 2008	13,750			
Repairs to Wall 2008	9,545			
Repairs to Electrical Service 2008	195			
Electric Use 2007-2009	<u>37,385</u>			
Total LED Wall Costs 2007-2009		\$349,241		
Allowable Expenses for LED WALL:				
Repairs to Wall 2008	9,545			
Repairs to Electrical Service 2008	195			
Electrical Use 2007-2009	<u>37,385</u>			
Less Total Allowable Expenses for LED Wall		<u>(47,125)</u>		
Unallowable Cost Related to Lease and Installation of LED Wall Plus Reinstallation of Fence			\$302,116	
Less Amount Paid by Staten Island Yankees*			<u>151,058</u>	
Amount Due City				\$151,058

* As part of the calculation of Net Signage Revenue, Staten Island Yankees and the City are equally responsible for payment of expenses.

SI Yankee Response: In his response, the SI Yankee President stated that “The definition of Net Signage Revenues is clear and allows for deductions as long as the expenses incurred are ‘. . . solely and demonstrably to exploit the advertising and Naming Rights from which the aforesaid amounts are derived.’

“The Draft Report makes no mention of Section 7.04(d) in support of the position that the expenses related to the purchase and installation of the LED Video Board are unallowable. Instead, the Draft Report references Section 10.05(b)(ii) as the

sole reasoning for its position. The derivation of Net Signage Revenue is completely unrelated to Section 10.05(b)(ii). Section 10.05(b)(ii) specifically discusses the annual capital contribution of \$29,592 to the Sinking Fund and the specific terms for drawing on those funds to complete major repairs to the facility.

“The Draft Report states the following ‘. . . according to the lease, all expenses related to new advertising structures are to be paid by the Staten Island Yankees. Section 10.05(b)(ii) of the lease states that, in addition to its capital contribution obligation, the tenant is to be responsible for major work related to improvements for the tenant including new advertising structures.’ This section would only be relevant if we requested to use Sinking Fund reserves for the purchase or installation of the LED Video Board. Doing so would be clearly in contrast to the language of the lease. This was not the case. The LED Board was purchased by the Staten Island Yankees with no link whatsoever to the Sinking Fund. The Draft Report attempts to create a link between sections 10.05(b)(ii) and 7.04(d) where the lease does not.”

EDC Response: In his response, EDC’s Chief Financial Officer stated “NYCEDC [EDC] disagrees with the Comptroller’s conclusion that the LED signage board expenses cannot be a part of the calculation of Net Signage Revenues and remains confident that the calculation of these Revenues by NYCEDC and the tenant was correct. The reason for this confidence can be found in the definition of Net Signage Revenues in Section 7.04(d) is ‘all revenues . . . less all costs actually incurred by Tenant solely and demonstrably to exploit the advertising rights and Naming Rights from which the aforesaid amounts are derived, such as, without limitation, the cost of designing and installing advertising or signage. . . .’ The LED signage board is an installation made by the tenant solely for the purpose of deriving advertising revenues, and as such its costs should be eligible expenses for purposes of calculating New Signage Revenues. Thus, there should be no dispute that while pursuant to Section 10.05 the tenant, in addition to its Capital Contribution, is required to incur the costs for the LED signage board, the definition of Net Signage Revenues does not preclude the deduction of these costs.”

Auditor Comment: Upon a cursory review, one could conclude that provisions §7.04(d) and §10.05 create a conflict with respect to deductions for capital expenditures related to advertising for the purpose of realizing net-signage revenues. §7.04 allows for deduction of ordinary expenses incurred by the SI Yankees solely to exploit the advertising from which the signage amounts are derived. However, the provisions of §10.05 specifically require that the SI Yankees incur the cost of the “Major Work for Tenant improvements (including without limitation, new Advertising Signage structures).” It is clear that the City was not intended to incur any costs related to capital improvements with respect to Advertising Signage structures. By deducting capital expenses from signage revenues, the SI Yankees are, in fact, passing along a portion of the cost to the City.

We believe that §7.04(d) was intended to allow only for the deduction of ordinary expenses, not capital expenditures, when calculating net-signage revenues. An ordinary expense outlay only benefits the current year. These expenses are to be matched against revenue earned in that same year. Clearly the purchase and construction of the LED Video Wall was a capital expenditure and should not be offset against signage revenues. (A capital expenditure is an addition or alteration to real property that substantially adds to the value of the real property, or is permanently affixed to the real property so that removal would cause material damage to the property and is intended to become a permanent installation.)

The SI Yankees are also under the misconception that §10.05(b)(ii) specifically discusses the annual capital contribution to the sinking fund and the specific terms for drawing on those funds to complete major repairs to the facility. Had the SI Yankees closely read §10.05(b)(ii) “*In addition to its Capital Contribution obligation,*” (emphasis added), they would understand that they are responsible for major work related to improvements for the tenant, including new advertising signage structures.

Based on the facts stated above, we advise that EDC and the SI Yankees revisit these provisions for the purpose of clarification and compliance with appropriate accounting principles.

RECOMMENDATIONS

The SI Yankees should:

1. Pay EDC the \$308,564—\$118,366 in base rent, \$39,140 for no-show and complimentary ticket holders, and \$151,058 for unallowable deductions to net-signage revenues.

SI Yankee Response: “We strongly disagree with the recommendation and the findings supporting such recommendation as neither are supported by the clear language of the lease.”

Auditor Comment: As discussed in the body of this report, the SI Yankees’ arguments are not supported. We maintain our position that the SI Yankees underreported actual attendance, lacked internal controls over the issuance of complimentary tickets, and did not properly calculate net signage revenue. Therefore, the SI Yankees should reconsider their decision and pay the full amount of the assessment.

2. Cease reporting all luxury suite tickets, issued as part of sponsorship agreements, as complimentary. These tickets, if used to attend a home game, should not be used to reduce the reported paid attendance.

SI Yankee Response: “The Staten Island Yankees will report all luxury suite tickets issued as a contractual element of sponsorship agreements towards Actual Attendance.”

3. Enhance their controls over the distribution of complimentary tickets by:
 - developing and implementing a better system for issuing and tracking of all complimentary certificates and complimentary tickets by including a pre-printed number and a space on the certificate to log the date the certificate is redeemed, who redeemed the certificate, and the seat number issued for that certificate;
 - modifying the complimentary ticket forms to include pre-printed numbers and a space for the seat numbers issued; and
 - issuing complimentary tickets in accordance with the terms of the lease.
4. Establish a tracking system for all complimentary certificates and complimentary tickets issued. This tracking system should include the date the certificate or ticket is issued, the date the certificate or ticket is redeemed, the seat location, and the name of the person redeeming the ticket.

SI Yankee Response to Recommendations No. 3 and 4: “The Staten Island Yankees will enhance our controls over Complimentary Tickets and establish a tracking system.”

5. Collaborate with EDC to establish a more fair and equitable method for reporting net-signage revenue to the City. The new method should include within its calculation a more realistic evaluation of the value of product placement in sponsorship agreements.

SI Yankee Response: “The Staten Island Yankees will continue to work closely with EDC on the derivation of net signage revenue.”

EDC Should:

6. Credit the SI Yankees \$538 for overpayment of net signage revenues from 2008 lease year.

EDC Response: “NYCEDC agrees and will credit the SI Yankees in the amount of \$538.”

7. Ensure that the SI Yankees pay the City \$308,564—\$118,366 in base rent, \$39,140 for no-show and complimentary ticket holders, and \$151,058 for unallowable deductions to net-signage revenues—and that they comply with the report’s other recommendations.

EDC Response: “NYCEDC agrees that the tenant’s internal controls for ticket classification and tracking could be more effective and that the tenant underreported Actual Attendance in 2009. Appropriately detailed reports were not available and not provided by the tenant for review by NYCEDC. The tenant has conceded that sponsor suite tickets should be calculated as part of Actual Attendance and has not provided sufficient proof that Actual Attendance should be reduced to a number below the threshold of 125,000. Therefore, NYCEDC will bill and collect the appropriate amount of base rent of \$118,366 and other charges of \$39,140 due with respect to tickets and attendance for the 2009 season.

“In addition, NYCEDC will require the tenant improve its internal controls and to provide additional, detailed attendance reports during the course of the baseball season. The tenant has agreed to provide this information starting in the 2011 season.”

“NYCEDC disagrees with the Comptroller’s conclusion that the LED signage board expenses cannot be a part of the calculation of Net Signage Revenues and remains confident that the calculation of these revenues by NYCEDC and the tenant was correct.”

Auditor Comment: We disagree with EDC’s position that the SI Yankees’ calculation for

net signage revenues was correct. As we stated in the body of the report, the construction of the LED Video Wall is a capital expenditure, not an ordinary business expense. §7.04(d) allows for the deduction of ordinary business expenses when calculating Net Signage Revenues. Based on the fact that the LED Video Wall is a capital expenditure, EDC should reconsider its decision, and not allow the cost of the LED Video Wall to be deducted when calculating Net Signage Revenues.

STATEN ISLAND YANKEES
SINGLE-A AFFILIATE OF THE NEW YORK YANKEES



October 6, 2010

H. Tina Kim
Deputy Comptroller
Office of the City Comptroller
One Centre Street, Room 1100
New York, NY 10007-2341

Re: Audit Report on the Compliance of Staten Island Minor League Holdings, LLC (SI Yankees) with their Lease Agreement November 1, 2007-October 31, 2009 FM10-121A

Dear Ms. Kim:

This letter is in response to the Draft Report dated September 23, 2010 on the Compliance of Staten Island Minor League Holdings, LLC (SI Yankees) with their Lease Agreement November 1, 2007-October 31, 2009 FM10-121A.

Recommendation 1): Pay EDC the \$308,564- \$118,366 in base rent, \$39,140 for no-show and complimentary ticket holders and \$151,058 in unallowable deductions to net-signage revenues.

Response:

We strongly disagree with the recommendation and the findings supporting such recommendation as neither are supported by the clear language of the lease.

Base Rent: Information was provided to the Comptroller's Office via email (with detailed attachments) on July 23, 2010 which thoroughly addressed this issue. The Draft Report maintains that 1,756 suite tickets included in our Complimentary Ticket calculations should be excluded as they were used by sponsors and therefore not "complimentary" in accordance with the specific definition set forth in the lease. The inclusion of these tickets, as recommended by the Draft Report, propels our Actual Attendance to 125,328 compared to the 123,572 reported. The Draft Report assumes that none of the tickets included in this calculation fall under the definition of Complimentary Tickets, which is factually incorrect.

The Deduction of Sponsor Suite Tickets:

While we will abide by the recommendation to count suite tickets included in sponsorship agreements towards our Actual Attendance calculation, we disagree with the calculations that yielded the 1,756 seats referenced in the Draft Report.



In the documentation provided to the Comptroller's Office on July 23, 2010, we detailed with great specificity, that the calculation of 1,756 seats was incorrect. In that documentation we informed the Comptroller's Office that it is making the incorrect assumption that these suites are for the *exclusive* use of sponsors. As stated in the documentation sent July 23, 2010, several suites are earmarked for sponsor use throughout the season in order to ensure the available inventory necessary to support our contractual obligations. While these suites are used predominantly for sponsorship activity, they are not used *exclusively* for sponsorship activity. The Draft Report is subjectively and incorrectly assuming these suites are used exclusively in support of sponsorship agreements and any use of these suites, therefore, must be tied to sponsorship agreements. This is not the case.

In the correspondence we provided the Comptroller's Office on July 23, 2010, we identified several suite nights included in the calculation of the 1,756 seats that were donations and appropriately included in our Complimentary Ticket calculation as they were distributed for charitable purposes, in accordance with the lease. These suites were donated to Staten Island University Hospital, College of Staten Island, Richmond University Medical Center, Hungerford School, and New York Says Thank You (as a hospitality suite for their volunteers who participated on Military Appreciation Day on July 26, 2009). We further discussed these donations in great detail during the Exit Conference on September 14, 2010, and indicated that we would provide letters from each organization acknowledging the donated suite nights during the 2009 season. Letters from Staten Island University Hospital, College of Staten Island, Richmond University Medical Center, and Hungerford School were provided to the Comptroller's Office via email following the Exit Conference, and are again provided as part of this correspondence.

In follow up discussions with the Comptroller's Office, specifically a phone call on September 27, 2010, we were informed that, contrary to the terms of the lease, the Comptroller's Office was maintaining that these uses did not qualify as charitable donations because some of these organizations are also sponsors of the Staten Island Yankees. The Staten Island Yankees have long supported the charitable work done by these organizations through donations of merchandise, tickets, and suites tickets. Our history of donations to these organizations long pre dates any of the sponsorship relationships. Furthermore, the lease does not disqualify charitable donations to an organization simply because they are also a sponsor.

The definition of Complimentary Tickets is clearly stated in the lease:
"Complimentary Tickets means tickets to home team games that are distributed or donated free of charge by tenant for **any** (emphasis added) community, **charitable**, or **civic purpose** (emphasis added), or by tenant to (a) any Team or visiting team personnel and/or (b) Persons associated with professional baseball."

The position of the Draft Report attempts to impose limitations as to which purposes qualify as "charitable" and attempts to disqualify any charitable donations to

organizations that may also have an unrelated business relationship with the Staten Island Yankees. If it were the intent of the lease to impose limitations on "...charitable or civic purpose" then the definition would have been written to reflect that intent. It clearly was not.

These donations fall squarely under the definition of Complimentary Tickets as defined by the lease and should be deducted from the 1,756 "sponsor suite" tickets identified in the Draft Report. The position taken by the Comptroller's Office on this issue is not supported by the express language of the lease and is tantamount to the imposition of terms and conditions that simply do not exist in the lease. Therefore, 165 suite tickets should be excluded from the 1,756 suite tickets referenced in the Draft Report.

In the documentation provided the Comptroller's Office on July 23, 2010, we also raised the issue of several seats included in our Actual Attendance calculation that should have been counted towards our Complimentary Ticket calculation as they squarely fall under the definition of Complimentary Tickets.

We identified two examples of House Seats assigned to the Sponsorship Sales and Sponsorship Services Departments which were coded to the employee's last names rather than to their respective departments. When we raised this point with the Comptroller's Office we were told that they did not qualify as Complimentary Tickets since they may not have been used for "any community, charitable, or civic purpose." The definition of Complimentary Tickets does not require tickets issued to Team Personnel to be used for community, charitable, or civic purposes. Furthermore, the "end use" of the tickets is irrelevant as the lease provides no restrictions on who ultimately occupies the seats.

Yet again, the definition of the Complimentary Tickets is clear:

"Complimentary Tickets means tickets to home team games that are distributed or donated free of charge by tenant for any community, charitable, or civic purpose, **or** (emphasis added) by tenant to **(a) any Team or visiting team personnel** (emphasis added) and/or (b) Persons associated with professional baseball."

The lease provides absolutely no limitations or restrictions on the way in which a Complimentary Ticket is ultimately used as long as it is "...distributed or donated free of charge by tenant for any community, charitable, or civic purpose, **or** (emphasis added) by tenant to **(a) any Team or visiting team personnel** (emphasis added) and/or (b) Persons associated with professional baseball." Again, with respect to this issue, the Draft Report attempts to rewrite the definition of Complimentary Tickets to include limitations and restrictions that are not contained in the actual definition of Complimentary Tickets in the lease. Furthermore, the Draft Report attempts to combine the clearly separate elements of the definition of Complimentary Tickets (i.e. that are separated by the word "or") and make select elements conditional on being used for "community, charitable, or civic purpose." The lease clearly separates these elements and no such conditional relationship exists. The definition clearly states:

“...any community, charitable, or civic purpose, **or** (emphasis added) by tenant to **(a) any Team or visiting team personnel** (emphasis added) and/or (b) Persons associated with professional baseball.”

We again discussed this point in great detail in the Exit Conference on September 14, 2010, and again on a follow up phone call on September 27, 2010. We stated our disagreement with, not only the wholesale attempt of the Comptroller’s Office to rewrite the definition of Complimentary Tickets, but also the selective way in which that newly crafted definition was being applied. It is only being applied to tickets given to Team Personnel. The “end use” is not a factor with respect to tickets issued to players. The Comptroller’s Office agreed that there was no ambiguity here, and tickets issued to players fell squarely under the definition contained in the lease. However, when it was pointed out that the actual player could not possibly be sitting in the complimentary seats as he was actually playing in the game to which he was issued Complimentary Tickets for, we were dismissed. This clear and unsupportable inconsistency in the positions taken by the Comptroller’s Office on this issue belies the fact that its attempts to rewrite the definitions in the lease through selective application is wholly inappropriate.

We further pointed out the faulty logic when this notion of “end use” is applied to charitable donations. The limitations suggested by the Comptroller’s Office, if applied, would mean that a ticket donated to a charitable organization would suddenly cease being a Complimentary Ticket if it was not a member of the charitable organization actually sitting in the seat. Such limitations would completely negate the vast majority of uses of Complimentary Tickets for charitable organizations as they are used, primarily, for fundraising purposes and auctioned off at golf outings, dinners, and other fundraising events. The end user is rarely, if ever, someone who is a member of the organization. In most cases the end user is someone who simply bid on the tickets in support of the charitable organization’s philanthropic activity.

The position of the Comptroller’s Office is to selectively apply limitations and restrictions that are not supported by the actual definition of Complimentary Tickets contained in the lease. Such a wholesale and selective rewriting of the definition of Complimentary Tickets would have broad reaching implications that, if applied to the rest of the definition of Complimentary Tickets would render all Complimentary Tickets potentially ineligible. Player tickets for seats not sat in by the players themselves; charitable ticket donations for seats not sat in by a member of the charity itself; and tickets issued to team personnel for seats not sat in by the employees themselves; would no longer be considered Complimentary Tickets. The language of the lease is clear. If it were the intent of the lease to impose such broad reaching limitations and restrictions, or to include the notion of “end use”, then we are confident that the definition of Complimentary Tickets would have been written to reflect that intent.

Collectively, as indicated in documents provided on July 23, 2010, and discussed in the Exit Conference on September 14, 2010, the 1,756 seats referenced in the Draft Report should be reduced by 464 seats for a revised Actual Attendance number of 124,864.

\$151,058 in unallowable deductions to net-signage revenues

We strongly disagree with this recommendation as it is not supported by the language of the lease. This issue was thoroughly addressed at the Exit Conference on September 14, 2010. The lease specifically defines the criteria that govern the derivation of Net Signage Revenues in Section 7.04(d). The definition of Net Signage Revenues is as follows:

7.04(d) Definition of Net Signage Revenues. "Net Signage Revenues" means and includes all revenues, amounts, receipts, fees, proceeds, property (valued according to its fair market value), and other forms of consideration that are received by or for the account of Tenant or an Affiliate from the exploitation by Tenant of any Advertising Signage or the Naming Rights (collectively, "Signage Revenue"), **less all costs actually incurred by Tenant solely and demonstrably to exploit the advertising rights and Naming Rights from which the aforesaid amounts are derived,** (emphasis added) such as, **without limitation,** (emphasis added) the cost of **designing and installing advertising or signage** (emphasis added), third party sales commissions, sign maintenance, Complimentary Tickets and legal costs incurred to negotiate relevant Advertising Signage or Naming Rights agreements.

The definition of Net Signage Revenues is clear and allows for deductions as long as the expenses incurred are "...solely and demonstrably to exploit the advertising and Naming Rights from which the aforesaid amounts are derived."

The Draft Report makes no mention of Section 7.04(d) in support of the position that the expenses related to the purchase and installation of the LED Video Board are unallowable. Instead, the Draft Report references Section 10.05(b)(ii) as the sole reasoning for its position. The derivation of Net Signage Revenue is completely unrelated to Section 10.05(b)(ii). Section 10.05(b)(ii) specifically discusses the annual capital contribution of \$29,592 to the Sinking Fund and the specific terms for drawing on those funds to complete major repairs to the facility.

The Draft Report states the following "...according to the lease, all expenses related to new advertising structures are to be paid by the Staten Island Yankees. Section 10.05(b)(ii) of the lease states that, in addition to its capital contribution obligation, the tenant is to be responsible for major work related to improvements for the tenant including new advertising structures." This section would only be relevant if we requested to use Sinking Fund reserves for the purchase or installation of the LED Video Board. Doing so would be clearly in contrast to the language of the lease. This was not the case. The LED Board was purchased by the Staten Island Yankees with no link whatsoever to the Sinking Fund. The Draft Report attempts to create a link between sections 10.05(b)(ii) and 7.04(d) where the lease does not.

The LED Video Board serves as the primary platform from which we generate our signage revenue. As such, all expenses incurred by the Staten Island Yankees for the purchase and installation of the LED Video Board fall squarely within 7.04(d) Definition of Net Signage Revenues and, as such, are allowable expenses.

Again, the positions taken on this issue by the Comptroller's Office, in total disregard for the express provisions of the lease, are unsupportable and wholly inappropriate.

Recommendation 2): Cease reporting all luxury suite tickets, issued as part of sponsorship agreements, as complimentary.

Response:

The Staten Island Yankees will report all luxury suite tickets issued as a contractual element of sponsorship agreements towards Actual Attendance.

Recommendations 3-4): Enhance their controls over Complimentary Tickets

Response:

The Staten Island Yankees will enhance our controls over Complimentary Tickets and establish a tracking system.

Recommendation 5): Collaborate with EDC to establish a more fair and equitable method for reporting net-signage revenue to the City.

Response:

The Staten Island Yankees will continue to work closely with EDC on the derivation of net signage revenue. It is however, important to note that the creation of the points based system and the point values associated with each component were done in collaboration with EDC. The assignment of points to each component was not done "subjectively" as the Draft Report suggests, but done with vigorous discussion and debate with and direct input and approval from EDC.

It is important to note that during the Exit Conference on September 14, 2010 we expressed our dismay at the misleading nature of the following statement contained in Preliminary Draft Report dated August 17, 2010, and again in the Draft Report regarding net signage revenue calculations; "...in 2009 the SI Yankees received \$1.29 million in sponsorship revenues for which, after expenses, resulted in a payment of only \$12,425, or one percent of the total sponsorship revenue. Clearly the method used to calculate net-signage revenue is not fair and equitable." The amount of total revenue generated in sponsorships is irrelevant as the lease does not require us to share a percentage of total sponsorship revenue. Furthermore, the Staten Island Yankees generated \$447,784 in *signage* revenue in 2009 and incurred \$422,933, in expenses to generate that signage revenue. As a result, our Net Signage Revenue was \$24,851 of which 50% was shared with the City in complete compliance with our lease obligations. The Draft Report conveniently glossed over the significant expenses incurred, specifically \$804,106, in the generation of the \$1.29 million it references. Acknowledging 62% of all *sponsorship* revenue and 94% of all *signage* revenue is consumed in expenses is a much different, and more accurate, portrayal of the same data.

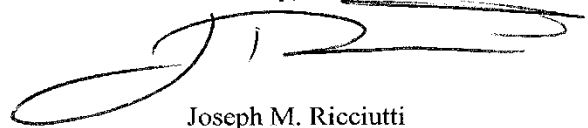
Conclusion:

In light of the above, the Staten Island Yankees recommend that the Comptroller's Office revisit the conclusions made in the Draft Audit Report with respect to base rent and allowable deductions for Net Signage Revenues. It bears repeating that we are deeply disappointed by the consistent misinterpretations of, and attempts to rewrite the lease that have lead to many of the recommendations set forth in the Draft Audit Report, as well as the fact that, to date, despite our detailed explanations based on the express language of the lease, the Comptroller's Office persists in maintaining positions that are contrary to clear language of the lease.

We are confident that, in the unfortunate event that the Comptroller's Office does not reconsider its position and we are left with no choice but to take this matter to arbitration, that the arbitrators will agree that the definitions in and language throughout the lease are clear and the positions taken by the Comptroller's Office are unsupported by the express language of the lease and therefore erroneous.

Please feel free to contact me with any questions regarding the above.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Ricciutti', with a large, sweeping flourish extending to the left.

Joseph M. Ricciutti
President

:jmr
Attachments (5)

cc: Larry Freedman, Executive Vice President, Mandalay Baseball Properties
Bruce Javitz, Vice President, Accounting/Controller, Mandalay Baseball Properties
Daniel Zarrilli, New York City Economic Development Corporation

	TICKETS
TOTAL ACTUAL ATTENDANCE REPORTED 2009	123,572
SPONSOR SUITE TICKETS	<u>1,756</u>
ADJUSTED ACTUAL ATTENDANCE	<u>125,328</u>

**Donated Suite Tickets to be Excluded from Comptroller's Office Sponsor Suite
Ticket Calculations and Remain as Complimentary Tickets**

College of Staten Island 9/4 Donation Coded as Sponsor (Suite 7)	18	
Richmond Univ Med Center 7/26 Donation Coded as Sponsor (Suite 6)	13	
Richmond Univ Med Center 7/10 Donation Coded as Sponsor (Suite 7)	15	
Richmond Univ Med Center 8/20 Donation Coded as Sponsor (Suite 7)	18	
Richmond Univ Med Center 8/24 Donation Coded as Sponsor (Suite 6)	12	
Richmond Univ Med Center 8/24 Donation Coded as Sponsor (Suite 7)	19	
Richmond Univ Med Center 8/24 Donation Coded as Sponsor (Suite 7)	1	
Richmond Univ Med Center 9/6 Donation Coded as Sponsor (Suite 6)	19	
Staten Island Univ Hospital 9/2 Donation Coded as Sponsor (Suite 6)	14	
Hungerford School 8/25 Donation Coded as Sponsor (Suite 6)	5	
Hungerford School 8/25 Donation Coded as Sponsor (Suite 7)	19	
New York Says Thank You 7/26/2009 Donation Coded as Sponsor (Suite 5)	<u>12</u>	
		165

Departmental House Seats Included in Actual Attendance

Spons. Sales Departmental Seats Coded to Employee Last Name	142	
Spons. Services Departmental Seats Coded to Employee Last Name	<u>77</u>	
		219

Additional Complimentary Tickets Included in Actual Attendance Calculations

Player Tickets for September 10th Playoff Game Coded as Not Comp (Paid)	7	
Employee Comps Coded as "Not Comp" (Paid)	70	
Suite 1 House Suite for September 14th Playoff Game Coded as Not Comp (Paid)	1	
Employee Comp for September 9th Playoff Game Coded as Not Comp	<u>2</u>	
		80

Adjusted Actual Attendance	125,328
(LESS) Donated Suite Tickets	165
(LESS) Departmental Seats	219
(LESS) Additional Complimentary Tickets Included in Actual Attendance Calculations (Players/Employees)	80

TOTAL ADJUSTED ACTUAL ATTENDANCE 124,864

JUL-20-2010 08:02 From:

To: 717182735763

P. 1/1



475 SEAVIEW AVENUE STATEN ISLAND NEW YORK 10305-3498

ANTHONY C. FERRERI
PRESIDENT & CHIEF EXECUTIVE OFFICER
(718) 226 9000

IF CHECKED, REPLY TO:
STATEN ISLAND UNIVERSITY HOSPITAL, SOUTH
375 SEGUINE AVENUE, STATEN ISLAND, NEW YORK 10305

IF CHECKED, REPLY TO:
STATEN ISLAND UNIVERSITY HOSPITAL, BUSINESS CENTER
1 EDGEWATER PLAZA, STATEN ISLAND, NEW YORK 10305

July 20, 2010

Joseph M. Ricciutti
President
Staten Island Yankees
Richmond County Bank Ballpark
75 Richmond Terrace
Staten Island, NY 10301

Dear Mr. Ricciutti:

This is to confirm that during the 2009 season, Staten Island University Hospital received 3 suite nights as part of the 2009 corporate partnership with the Staten Island Yankees. These nights were July 12th, August 1st, and August 27th. The Staten Island Yankees also donated an additional suite night to Staten Island University Hospital on September 2nd which was not part of the 2009 corporate sponsorship package for which we are grateful.

Sincerely,

John P. Demoleas
Vice President of Development &
External Affairs



COLLEGE OF STATEN ISLAND FOUNDATION, INC.

1888 VICTORY BOULEVARD • BLDG 1A RM 401 • STATEN ISLAND NEW YORK • 10314
TEL: 718.982.2365 • FAX: 718.982.2362

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Erika E. Hellstrom

Associate Executive Director
Erika E. Hellstrom

September 20, 2010

Mr. Joseph Ricciutti
Staten Island Yankees
75 Richmond Terrace
Staten Island, NY 10301

Dear Joe:

On behalf of President Tomás D. Morales and the CSI Foundation Board of Directors, thank you for your gift-in-kind of a suite at a Staten Island Yankees game on September 4, 2009, valued at \$1,000. The suite was part of a raffle at the CSI Golf Outing and helped us generate needed funds for our students.

We greatly appreciate your support of CSI, and in particular, CSI Athletes through your support of the Golf Outing. If you have any questions regarding this donation, do not hesitate to contact me at 718-982-2365.

Thank you again for your support!

Sincerely,

Erika E. Hellstrom

Associate Executive Director

09/22/2010 01:45

917188182105

COMMUNITY RELATIONS

PAGE 01/01

Richmond
University  Medical Center

355 Bard Avenue
Staten Island, New York 10310 • 718-818-1234

September 20, 2010

Joseph Ricciutti, President
Staten Island Yankees
75 Richmond Terrace
Staten Island, NY 10301

Dear Mr. Ricciutti,

On behalf of Richmond University Medical Center, thank you for your commitment to the hospital and for donations of Luxury Suites to our fundraising events in the 2009 season. The Jack Sipp Golf & Tennis Outing and the Tournament of Heroes were wonderful successes thanks to your generosity.

These raffles helped us to raise thousands last year for much needed improvements to the Medical Center. For your records, these gifts were redeemed by our raffle winners on July 10, 2009, July 26, 2009, August 20, 2009, August 24, 2009 and September 6, 2009.

Again, thanks you for your interest and support of Richmond University Medical Center.

Sincerely,



Mary Scullin
Director of Development and Community Relations



Department of
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Citywide Programs

ASSISTANT PRINCIPAL- MICHAEL PEPE, LINSEY MILLER & HEATHER LEYKAM
SUSAN SMITH, SUPERVISOR

School Web Address: www.hungerfordschool.org

September 7, 2010

Ms. Jane M. Rogers
Executive Vice President, General Manager
Staten Island Yankees
75 Richmond Terrace
Staten Island, NY 10301

Dear Ms. Rogers:

On August 25, 2009 the Staten Island Yankees organization was kind enough to donate a courtesy suite for the benefit of our students while they attended that evening's game. Although they were delighted at being able to attend the game as guests of the Yankees they were even more grateful for the opportunity to spend the evening in a luxury suite.

We thank your organization for its generosity and for your continued commitment to the success of our students here at The Hungerford School.

Sincerely,

Dr. Mary McInerney
Principal



New York City
Economic Development
Corporation

Jason A. Wright
Executive Vice President
Chief Financial Officer

110 William Street
New York, NY 10038
Tel: 212.312.3727
Fax: 212.312.3913

ja.wright@nycedc.com
www.nycedc.com

October 5, 2010

H. Tina Kim, Deputy Comptroller for Audit
The City of New York
Office of the Comptroller
1 Centre Street
New York, New York 10007-2341

Re: Response to Draft Audit Report (FM10-121A, dated September 23, 2010) on
the Compliance of Staten Island Minor League Holdings, LLC (SI Yankees)
with Their Lease Agreement for the Period November 1, 2007 – October 31,
2009 (the "Draft Audit Report")

Dear Ms. Kim:

Thank you for the opportunity to respond to the Draft Audit Report. Below are NYCEDC's
responses to the recommendations contained in the Draft Audit Report.

Recommendation #6: Credit the SI Yankees \$538 for overpayment of net signage revenues from
2008 lease year.

NYCEDC's Response: NYCEDC agrees and will credit the SI Yankees in the amount of
\$538.

Recommendation #7: Ensure that the SI Yankees pay the City \$303,564 - \$118,366 in base rent,
\$39,140 for no-show and complimentary ticket holders, and \$151,058 for unallowable deductions
to net-signage revenues - and that they comply with the report's other recommendations.

NYCEDC's Response:

Attendance: NYCEDC agrees that the tenant's internal controls for ticket classification
and tracking could be more effective and that the tenant underreported Actual Attendance
in 2009. Appropriately detailed reports were not available and not provided by the tenant
for review by NYCEDC. The tenant has now conceded that sponsor suite tickets should be
calculated as part of Actual Attendance and has not provided sufficient proof that Actual
Attendance should be reduced to a number below the threshold of 125,000.
Therefore, NYCEDC will bill and collect the appropriate amount of base rent of \$118,366
and other charges of \$39,140 due with respect to tickets and attendance for the 2009
season.

In addition, NYCEDC will require the tenant improve its internal controls and to provide
additional, detailed attendance reports during the course of the baseball season. The
tenant has agreed to provide this information starting in the 2011 season.

Signage Revenues: NYCEDC disagrees with the Comptroller's conclusion that the LED signage board expenses cannot be a part of the calculation of Net Signage Revenues and remains confident that the calculation of these Revenues by NYCEDC and the tenant was correct. The reason for this confidence can be found in the definition of Net Signage Revenues in Section 7.04(d) is "all revenues ... less all costs actually incurred by Tenant solely and demonstrably to exploit the advertising rights and Naming Rights from which the aforesaid amounts are derived, such as, without limitation, the cost of designing and installing advertising or signage" The LED signage board is an installation made by the tenant solely for the purpose of deriving advertising revenues, and as such its costs should be eligible expenses for purposes of calculating Net Signage Revenues. Thus, there should be no dispute that while pursuant to Section 10.03 the tenant, in addition to its Capital Contribution, is required to incur the costs for the LED signage board, the definition of Net Signage Revenues does not preclude the deduction of these costs.

Thank you for the opportunity to respond to the recommendations in the Draft Audit Report.

Very truly yours,



Jason A. Wright
Chief Financial Officer

cc: Seth Pinsky
Jason Wright
Becky Ta
Christopher Mallin
David Lombino
John Cicerello
Hops Mallari