

A Meeting of the Board of Directors of the Suffolk Regional Off-Track Betting Corporation was held on April 26, 2007 at 10:00 A.M. at Corporate Headquarters, 5 Davids Drive, Hauppauge, New York.

The following persons were present:

Dominick P. Feeney	Chairman
Herbert Hemendinger	Vice Chairman
Patrick E. Byrne, Jr.	Secretary
Jeffrey A. Casale	President/CEO
Marietta M. Seaman	Vice President
Neil H. Tiger	Corporate Counsel/Executive Director of External Affairs
Celine Gazes	Comptroller
Edna Donohue	Corresponding Secretary to Board

Also Present:

Paul Edelstein	Director, Wagering Operations and Services
Rick Brand	Reporter from <u>Newsday</u>

The Meeting was called to order by Chairman Feeney at 10:07 A.M.

**ITEM #1 APPROVAL OF MINUTES OF THE BOARD OF DIRECTORS
MEETING OF MARCH 22, 2007**

Chairman Feeney stated that the first item on the Agenda was to approve the Minutes of the Board of Directors Meeting of March 22, 2007. Vice-Chairman Hemendinger made a motion that the Minutes be approved, seconded by Secretary Byrne and passed unanimously.

Before continuing, Chairman Feeney recognized Rick Brand from Newsday who is in attendance at the meeting today.

ITEM #2 MARCH 2007 HANDLE REPORT

Comptroller Gazes noted that there were two correction pages that were to become part of the final report.

Handle for the month of March was down \$970,492 from 2006 mainly due to cancellations (Aqueduct cancelled on one weekend on Friday, Saturday and Sunday) that would account for about \$750,000 of the decrease. As a result handle fell short of projection 6.2%. Additionally, there were cancellations at other tracks.

On Page 2 is an analysis of handle by branch. Handle from Qwik-Bets is up 38.5% mainly due to Sit-N-Sip which is doing very well. Several branches had increases in handle, Phone Room, Centereach and Route 110 had small increases and Patchogue had a 6.5% increase. Deer Park is down considerably no doubt due to the deteriorating condition of the shopping center that is due for demolition after we re-locate. President Casale added there were some interruptions in service at that branch, namely a fire and a power outage. Sunrise also had a 20.2% decrease. The following page is a graphic presentation of branch handle. Month-to-date handle as a percentage of total Month-to-date handle increased from 13.4% to 14.2%. The corresponding decrease can be seen in branch handle from 60.4% to 58.8%. As previously stated, Qwik-Bet handle is up and therefore its percentage of total increased. Counsel Tiger added that it appears the shift in handle to telephone betting again occurred around the same time as the gasoline prices started to increase. It would be preferable to see handle increases in the surcharge branches.

Page 5 is handle by track. As can be seen, Aqueduct handle accounts for the entire decrease in handle for the month at \$1,117,213. As previously stated, the bulk of that is due to that track canceling for one entire weekend. Yonkers re-opening accounts for the entire increase

in in-state harness handle with a corresponding decrease in out-of-state harness handle which of the laws requiring payment of revenue to in-state harness tracks on out-of-state handle. Out-of-state thoroughbred handle was basically flat with a few cancellations accounting for the decreases.

As a preview to April, through April 24th handle is down from 2006 6.1% with one more dark day in the first 24 days of this year compared to 2006.

In comparing handle on a regional basis, on average, the OTB regions' handle decreased over 2006 by 6.3% for the month of March. Suffolk's decrease was only 4.2%, the only region doing better was Western.

Vice Chairman Hemendinger asked if the plans for the new re-location in Deer Park contained more phone room space. President Casale replied yes, there would be an additional 12 stations there off-site and out of the power grid in the Industrial Park. That new location would be used not only for training but for betting as well. He assured Vice Chairman Hemendinger that telephone betting is encouraged since 70% of the handle is surcharge as well as a convenience to the bettors at home. Nassau shares the cost of the Phone Room.

Paul Edelstein, Director of Wagering Operations & Services stated that he wished to comment with respect to the handle at Aqueduct. The decline may well be attributed to not only the cancellations but also the short fields and resultant lack of wagering pools.

President Casale stated that despite the decline, Suffolk OTB is doing everything possible to weather the "storm" and hopes that legislation will be introduced and enacted that will bring the revenue back into the hands of the taxpayers of Suffolk County.

ITEM #3 COMMERCE BANKING RESOLUTION

President Casale announced that the next item on the Agenda was a request for the Board to approve the Corporation using Commerce Bank as an additional depository. He read from the proposed Resolution. An amendment in wording from “the” depository to now read “a” depository was proposed and accepted. Vice Chairman Hemendinger made a motion that Commerce Bank be added as a Corporate depository, seconded by Secretary Byrne and unanimously passed.

ITEM #4 LEASE FOR NEW HUNTINGTON LOCATION

President Casale stated the next item to be considered is a lease for the new location for the Huntington Branch. He reiterated that the location is well suited for a branch for the reasons previously discussed and there is a need for prompt action in signing a lease so that there will be no interruption of business. He then asked the Board for approval for him to enter into a lease for said premises. Vice Chairman Hemendinger then made a motion to approve the request of the President to negotiate and enter into a lease for the property in Huntington as discussed.

ITEM #5 PROJECT UP-DATES

COMMACK

President Casale advised that the building construction process is moving rapidly and on schedule with a target move-in date of July. The plans indicate it will be a very nice branch and will have storage in the basement that will allow room for the records currently stored at the Westhampton Airport.

DEER PARK

President Casale reminded the Board that the current branch location is scheduled to be demolished. Vice Chairman Hemendinger stated the new location is ideal. Ralph Aprea has designed the building to look somewhat like Belmont Race Track with the arched windows, etc. It should be a very attractive branch. Progress is somewhat slow and there is no completion date as yet.

ITEM #6 UP-DATE ON FRANCHISE MATTER

President Casale stated that hearings took place in Albany in connection with the selection process for the NYRA franchise. Vice President Seaman attended those hearings and was very vocal with respect to the position of the OTBs and the franchise selection especially in defense to a very negative attack during the Steve Wynn presentation wherein some statements made were totally outrageous, inaccurate and insulting. The other regional Presidents have all complimented Vice President Seaman on her stance, especially Don Groth, President of Catskill OTB. The Board expressed their appreciation on behalf of the Corporation.

The Governor indicates he expects a decision around May 25th. President Casale stated he had provided each Director with the packet submitted on behalf of Suffolk OTB regarding legislative initiatives that need to be undertaken and the opinion regarding the relationship of the OTBs and the tracks. Vice Chairman Hemendinger stated it was well written. President Casale accepted the compliment and advised the effort was collaborative by Counsel Tiger and Vice President Seaman. It is very similar to a plan proposed by President Casale to the other regional presidents. The report submitted addresses the problems of the racing industry across the State, including the negative impact on the revenue stream to the local municipalities served by the

OTBs. The localities are under current legislation subsidizing privately owned racetracks. A similar report submitted by New York City OTB was prepared by “The Boston Group”. In addition an economist retained by NYC OTB prepared a review of testimony presented before the Spitzer panel. That document methodically addressed the items raised during the presentations of the competing franchise bidders pointing out inconsistencies and inaccuracies..

President Casale addressed the decline in handle which has been impacted in part by the rising gas prices. He complimented the OTB staff for doing everything possible to cut expenses and increase handle.

ITEM #7 CONTRACT NEGOTIATIONS

President Casale stated that the Union contract negotiations are on-going with the cashiers and the ACs while the managers’ contract negotiations will commence soon.

ITEM #8 PROPOSED RESOLUTION BY DIRECTOR, PATRICK BYRNE

Director Byrne read a statement into the record. The statement is appended to these minutes, he made the following resolution:

He made a motion to eliminate all benefits for Board Directors of the Suffolk Regional OTB effective June 1st, 2007. Chairman Feeney asked if there was a second to the motion. Hearing none, the motion did not pass.

Chairman Feeney then stated he wished to make a statement. A copy of the statement is appended to these minutes. He then made a motion that OTB take no action regarding Directors’ health benefits until such time as the Board of Directors receives a written response from the

N.Y.S. Attorney General's office to OTB's inquiry", seconded by Vice Chairman Hemendinger and after majority vote passed.

Director Byrne then moved that all non-union employees of the Suffolk Regional OTB making more than \$80,000 annually, contribute 25% towards the cost of their healthcare premiums. Chairman Feeney asked if there was a second. Hearing no second, the motion did not pass.

The next meeting of the Board of Directors will be Thursday, May 24, 2007 at 10:00 a.m.

The Board retired to Executive Session for a discussion relating to personnel matters upon motion of Vice Chairman Hemendinger, seconded by Secretary Byrne and unanimous vote.

Upon reconvening in open session, upon motion to adjourn by Vice-Chairman Hemendinger, seconded by Secretary Byrne and unanimous vote, the meeting was adjourned at 11:45 a.m.

Secretary

RESOLUTION

After a motion was made, seconded and a unanimous vote, it is hereby

RESOLVED, that JEFFREY A. CASALE, as President of Suffolk Regional Off-Track Betting Corporation is hereby authorized to enter into negotiations for and to execute a lease for premises on Jericho Turnpike in Huntington as the new Huntington Branch.

CERTIFICATE OF SECRETARY

PATRICK E. BYRNE, JR. being the Secretary of Suffolk Regional Off-Track Betting Corporation, does hereby certify that said Resolution has duly passed at a regular meeting of Suffolk Regional Off-Track Betting Corporation held at Corporate Headquarters, 5 Davids Drive, Hauppauge, New York 11788 on the 26th day of April, 2007.

Secretary

RESOLUTION

After a motion was made, seconded and a unanimous vote, it is hereby

RESOLVED, that Commerce Bank, at any one or more of its offices or branches, be and it hereby is designated as a Financial Institution of and depository for the funds of this Corporation, which may be withdrawn on checks, drafts, advices of debit, notes or other orders the Corporation is authorized for the payment of monies bearing the following appropriate number of signatures any one (1) of the following panel officers or employees of this Corporation: President, Vice President, Comptroller and Assets Manager, and that said Financial Institution shall be and is authorized to honor and pay the same whether or not they are payable to bearer or to the individual order of any Agent or Agents signing the same.

CERTIFICATE OF SECRETARY

PATRICK E. BYRNE, JR. being the Secretary of Suffolk Regional Off-Track Betting Corporation, does hereby certify that said Resolution has duly passed at a regular meeting of Suffolk Regional Off-Track Betting Corporation held at Corporate Headquarters, 5 Davids Drive, Hauppauge, New York 11788 on the 26th day of April, 2007.

Secretary

RESOLUTION

After a motion was made, seconded and a majority vote, it is hereby

Resolved that OTB take no action regarding Directors' health benefits until such time as the Board of Directors receives a written response from the New York State Attorney General's office to OTB's inquiry.

CERTIFICATE OF SECRETARY

PATRICK E. BYRNE, JR. being the Secretary of Suffolk Regional Off-Track Betting Corporation, does hereby certify that said Resolution has duly passed at a regular meeting of Suffolk Regional Off-Track Betting Corporation held at Corporate Headquarters, 5 Davids Drive, Hauppauge, New York 11788 on the 26th day of April, 2007.

Secretary

Statement of Secretary Byrne

I was appointed to the Board of Directors of the Suffolk Regional OTB by the County Legislature in January 2006. At that time I was informed by management that Board Members were classified as 24 hour a day, 7 days a week on-call employees and entitled to full benefits. I discovered that this on-call status was very real when I had to participate in a Board meeting via telephone from the bathroom of my wife's delivery room as she was giving birth.

Although it was left out of recent newspaper stories, I only began to utilize OTB health benefits in February of this year when my wife and I made the decision for her to take an extended child rearing leave until 2008 to stay home with our first child. At that point it was the intention for her to return to work and we would resume the use of her employer provided benefits.

OTB Board Directors have the very significant fiduciary responsibility of approving all activities relating to the operations of this multi-million dollar Public Benefit Corporation. This is a position with tremendous responsibility and personal risk.

This Board has been advised that Board members are entitled to receive \$250 for each meeting and the Chairman \$350 for each meeting and that the benefits we receive are lawful and are provided in accordance with State law.

In fact, when the issue of whether these benefits were lawful was recently brought to the attention of this Board, this Board immediately and without hesitation directed the President to obtain a legal opinion from the New York State Attorney General even though the Board was advised that these benefits were lawful. Unfortunately, to date this Board has not received the Attorney General's response.

It is my firm opinion that the compensation and benefits provided to OTB Board members are not commensurate with the duties and responsibilities of governing and supervision a \$250 million dollar public benefit corporation, with over 400 employees, some of whom make well over \$100,000 annually.

However, despite my firm belief, out of my sincere concern for the reputation of the OTB, I make the following resolution.

I make a motion to eliminate all benefits for Board Directors of the Suffolk Regional OTB effective June 1st, 2007.

I would also like to respond to recent resolutions that were presented by certain members of the County Legislature and comments that were unnecessarily directed at this Board.

The Board of Directors of the Suffolk Regional OTB is keenly aware of the escalating cost of healthcare benefits and the consequences to the taxpayers of Suffolk County. This Director believes that we will eventually face a financial crisis unless actions are taken to control costs. As the Legislator indicated, the County Legislature has no control over the day to day operations of the Suffolk Regional OTB. As the Legislator also stated, it is not within the authority of the

Legislature to implement changes at the OTB, but they can apply pressure because they have the ability to appoint and as he implied (fire) those Directors that do not cooperate. Although I believe that this recent legislation is just smoke and mirrors designed to confuse the taxpayer into believing that meaningful reform is coming, beating up on the Directors that they themselves appointed is sophomoric and will have little or no financial impact.

Since I was appointed by the County Legislature to reform the Suffolk Regional OTB as a taxpayer advocate, I now ask the Suffolk County Legislature to have the courage to support the following resolution, which will be an excellent start in making meaningful reforms.

I also urge the Legislators to pass the same resolution to cover employees of the County including the Legislators themselves.

I make a motion Requiring that all non-union employees of the Suffolk Regional OTB making more than \$80,000 annually, contribute 25% towards the cost of their healthcare premiums.

Resolution of Chairman, Dominick Feeney:

The matter of health benefits is significant as it effects both current and past directors. The Board has been advised by the President and Counsel that these benefits have always been lawfully provided to the Directors. However, to obtain clarity on this issue and avoid any appearance that the benefits are not lawful, the Board has authorized the President to request a legal opinion from the New York State Attorney General's office. The request for a legal opinion from the New York State Attorney General has been made by the President and as of today, has not received written response in request to the New York Attorney General. As Directors of OTB, we are charged with fiduciary duties that must carry out these duties in accordance with the law. It would be imprudent on the Directors at this time to make any determination regarding health benefits until we receive a written determination from the New York State Attorney General regarding their legality.

Therefore, I make a motion that OTB take no action regarding Directors' health benefits until such time as the Board of Directors receives a written response from the New York State Attorney General's office to OTB's inquiry. That's in the form of a motion.

Herb Hemendinger: Okay, I second it.

Chairman: All in favor.

All: Aye, Aye.