

A Meeting of the Board of Directors of the Suffolk Regional Off-Track Betting Corporation was held on May 24, 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
Bill Klein and Anita Zanderzuk	from the Auditing firm of Albrecht, Viggiano, Zureck & Company

The Meeting was called to order by Chairman Feeney at 10:02 A.M.

**ITEM #1 APPROVAL OF MINUTES OF THE BOARD OF DIRECTORS
MEETING OF APRIL 26, 2007**

Chairman Feeney stated that the first item on the Agenda was to approve the Minutes of the Board of Directors Meeting of April 26, 2007. Vice-Chairman Hemendinger made a motion that the Minutes be approved, seconded by Secretary Byrne and passed unanimously.

ITEM #2 AUDITOR'S REPORT

Bill Klein and Anita Zanderzuk of Albrecht, Viggiano, Zureck & Company are present today to discuss the Financial Statement and Audit conducted for the year 2006. Copies of the report were previously provided to the Board and Corporate officers and are on file at the Corporate Headquarters.

Mr. Klein opened by stating that while the report was self-explanatory, he wished to bring up a few items for the Board's attention. He noted that a clean opinion had been given on the financial statement and complimented Comptroller Gazes on her putting together the financial data incorporated in the report.

Looking at the expense side, the general administrative expense only increased 1% in 2006. Considering salary and health insurance rate increases, he pointed out that expenses could not be cut much more than that. Comptroller Gazes interjected with the fact that there were no salary increases in 2006. Operating expense only went up 3% which he felt quite amazing. He pointed out that the health insurance rates are increasing at double digit percentages.

Discussion followed on the take-out, track payments, regulatory fees, etc. President Casale stated that those items had been addressed with the various legislators and he believes they are beginning to understand the true financial impact no matter what positive steps the Corporation takes to make money for the taxpayers. President Casale knows what has to be done even though it will require some hard decisions regarding benefits and time accruals.

In conclusion, Mr. Klein said on the positive side, one must look at the number the Corporation made before the mandated distributions and that was \$24 million. The positive effect that Suffolk OTB has on the county in dealing with vendors, providing employment, etc. is

huge. He stated he feels the Corporation is doing a good job in spite of the hurdles and being the only region not to have a racetrack.

ITEM #3 APRIL 2007 HANDLE REPORT

Comptroller Gazes noted that there were two correction pages that were to become part of the final report. For the first time, new technology will be utilized to present the report.

Handle for the month of April was down \$1,132,709 from 2006 and fell short of projected handle by \$628,551. Part of that decrease is attributable to the calendar with April 2007 having one more Monday dark day and one less Saturday than in April 2006 and is estimated at \$575,000 of the decrease.

Aqueduct cancelled on April 12th due to heavy rains. However, it is thought that since the handle that day was comparable to other Thursdays, the customers just bet on other tracks that day. Palm Sunday and Easter fell in April in both 2006 and 2007.

Page 2 is handle analysis by branch. Huntington, Hauppauge, Commack, Airport and Sunrise had significant decreases compared to 2006. When asked, Mr. Edelstein indicated that a large bettor in Commack is now betting on a phone account. President Casale concurred that any large bettor who leaves a branch will have a large impact on that branch's handle. Phone Room handle increased 3.1%, Centereach and Riverhead up 4% and Deer Park was even with 2006 handle.

Page 3 is a graphic presentation of handle by branch. On a month-to-date basis, phone room handle as a percentage increased from 13.7% to 15.2% of total; Racing Forum as a percentage of total handle was about the same being 27.1% in 2006 and 26.9% in 2007; and handle for all other branches as a percentage of total handle decreased from 58.8% to 57.2%. On

a year-to-date basis, the Phone Room handle increased from 18.8% to 14.4% with corresponding decreases in branches from 60.4% to 58.2% of total handle.

Page 5 is a summary of handle by track and appears on the corrected copy. Almost the entire decline in handle for the month was attributable to Aqueduct with average handle per racing day declining from \$252,594 in 2006 to \$223,501 in 2007. Mr. Edelstein was able to add that with respect to Golden Gate we only took them 5 racing days in 2007 compared to 20 in 2006 with a handle difference of \$173,035. The same applies to Delaware where we only took them for 3 days as compared to 6 in 2006 for a handle loss of \$112,681. Some tracks are just running less in 2007 than in 2006. With respect to Aqueduct, Mr. Edelstein feels that the April race cards at Aqueduct were very small and there were not enough combinations for the bettors. As a result they are betting less or not at all. Counsel Tiger added that in total there were 49 less race days in 2007 and perhaps that accounts for a significant decline in handle. Comptroller Gazes noted the shift in handle from out-of-state harness to in-state harness which is a greater benefit to the Corporation due to the fees imposed for out-of-state handle.

Out-of-state thoroughbred was down by 1.3%.

Page 6, also corrected, is a comparison of handle by region. It appears the downward trend is state-wide. Ms. Gazes pointed out in April, Suffolk did somewhat better than the state-wide total decline of 7.9% and the same is true on the year-to-date comparison.

President Casale stated that we had both a better Derby Day and Preakness than in 2006 (second best ever in Corporation history) and yet the decline on day-to-day racing is significant. Comptroller Gazes said that even with those two racing days, through May 22nd, handle is down for the month. President Casale remarked how nice it was to have the handle report on the big screen. The handle report reinforced the idea that better analysis is absolutely essential so that

profitability can be ascertained with a view towards possibly closing some branches at night. Ideally he hopes to put together a team to do the analysis of track profitability.

Additionally, due to the franchise indecision, long-range planning is stalled and having an impact on the regions. VLTs are also having a huge impact on the OTB regions.

Some discussion was had pertaining to a question by Secretary Byrne in regard to the GASBE 45 reporting differences as it applies to Suffolk OTB which is considered a proprietary fund. As a result, there will be a very large liability on the 2006 statement. Vice-Chairman Hemendinger added that we should also concentrate on the positive side and that is that the Corporation had net income before the mandated fees of \$24 million.

ITEM #4 NEW YORK COMMERCIAL BANK RESOLUTION

Comptroller Gazes stated that with the new branches requiring funding for equipment and fixtures, she is suggesting that the Corporation secure a line of credit to be drawn down on for the various projects which would then be converted to a term loan. Accordingly, Vice-Chairman Hemendinger made a motion that the President is directed to execute an agreement with the New York Commercial Bank for the purpose of obtaining a secured credit facility in the amount of \$2,500,000 under the terms and conditions expressed in the offering by New York Commercial Bank by correspondence dated April 17, 2007 and as recommended to the Board by the Corporation's Comptroller, seconded by Secretary Byrne and unanimously passed.

ITEM #5 ARCHITECTS FEES FOR NEW HUNTINGTON BRANCH

President Casale stated the next item to be considered is approval of architects fees in connection with the new Huntington branch. The firm, Spaces, has been working on several other projects very successfully and they have submitted an estimate of \$18,600 for architectural services for the Huntington branch that will include their usual retainer of \$9,300 that being one-half of the total fee. That estimate covers multiple things the firm will handle with regard to interior planning and the requirements of the Town of Huntington with the Planning and Building Departments. A traffic study is also required for that new location in the amount of \$2,500. Accordingly, Vice Chairman Hemendinger made a motion to approve the Spaces architects fees for the new Huntington branch in the amount of \$21,100, seconded by Secretary Byrne and unanimously passed.

ITEM #6 ACCOUNTING PROJECT

Tom Kilmartin, Special Assistant to the President for Budget Management, had set up a projector to display some of the preliminary budget data on the screen to demonstrate the new accounting program capabilities to the Board. He advised that the new software was installed and data inputted for 2005, 2006 and the first quarter of 2007. Data will be posted live for April on June 8th, through May 31st on June 27th and through June 30th by July 20th. The concept is to be operational in July and then be able to provide real-time data going forward. . President Casale reiterated how important this accounting system is for making decisions in the future. Mr. Kilmartin announced that through drilling down into the program, savings were shown in utility costs because of the new HVAC system in the HQ building and in liability insurance with the sale of the corporate vehicles. Eventually, the accounting system will pay for itself also.

Vice Chairman Hemendinger wants it shown to the legislators to let them know the Corporation is doing everything in its power to generate revenue while cutting expenses. He commented on the article in Suffolk Life which covered the President's appearance before the County Legislative Budget Committee. That report will be furnished to the Board members.

ITEM #7 UNION NEGOTIATIONS

President Casale hopes to have the contract negotiations completed in June and will have results for the Board once there is a formal agreement.

ITEM #8 FRANCHISE MATTER

President Casale reported that the franchise process continues on with no resolution. There is no way to even guess who will be awarded the franchise or what will happen to the OTBs. It would appear that there is more discussion relating to VLT revenue in that process than on the horse racing industry, and he feels more an economic development issue as well in that there has been some press about selling Aqueduct Racetrack.

ITEM #9 LEGISLATIVE EFFORTS

In tandem with the franchise matter, President Casale announced that with respect to Suffolk OTB, he, Vice President Seaman and others appeared before the County Legislative Budget Committee to explain in detail the financial impact to the County of all the fees that are imposed which prevents more money being streamed into the County's coffers. The presentation was well received and it is now felt the Legislators have a clearer picture of the obstacles and dysfunctional distribution of revenues. They also met with the legislative representatives on the State level in the hope that some changes can be made with regard to the distribution of revenues

to allow Suffolk OTB to provide more revenue to the County. The impact that Suffolk OTB has not only in bringing revenue to the County but in providing employment for approximately 350 persons. Combined, Nassau and Suffolk OTBs rank as the 42nd largest employer on Long Island. Again, the presentation was well received and hopefully the lawmakers will come on board. Vice Chairman Hemendinger stated he and the other Board members would like to be included in any future meetings.

President Casale said that he had in fact met with former Senator D'Amato whose firm, Park Strategies, was recently hired by Nassau OTB to lobby on their behalf. Vice Chairman Hemendinger inquired if there was a lobbyist for all the OTBs as a group but was told there is none despite President Casale's efforts toward that end. New York City has a lobbyist on staff who has been of some help to us on some matters. President Casale stated he further wished all the Presidents of the regional OTBs could work together as one.

ITEM #10 PROJECT UP-DATES

COMMACK

President Casale announced that the new Commack branch is progressing quite rapidly and hopes it can be open and operational by August.

DEER PARK

President Casale said there have been some snags in the new branch in terms of the construction, etc. Some downtime is expected between the closing of the old location and the opening of the new location. Vice President Seaman advised that our Marketing Department will be manning that branch to coach customers about our other nearby branches in Commack,

Racing Forum and Sunrise and if possible to open some telephone accounts. A survey is planned of those customers to see if they want to be advised of the status of the future branch opening.

ITEM #11 INTERNET WAGERING

President Casale hopes to have some information at the June meeting about the Internet wagering and will ask for a recommendation at that time.

ITEM #12 PROPOSED RESOLUTION BY SECRETARY BYRNE

Secretary Byrne stated he wished to propose a Resolution for consideration. He moved that it be resolved that the provision to members of the Board of Directors of benefit coverage under the Corporation's health benefit plan, Empire Plan, shall cease effective 11:59 p.m. on December 31st, 2007, except that any sitting Director of the Corporation may opt into the health benefit plan by reimbursing the Corporation for any and all expenses relating thereto and be it further resolved that the President of the Corporation is directed to amend the Corporation's Systems Procedure Manual to reflect this change in corporate policy and to implement in said manual the procedures by which a member of the Board of Directors may opt into the Corporation's health benefit plan, seconded by Vice Chairman Hemendinger and unanimously passed.

The next meeting of the Board of Directors will be Thursday, June 21, 2007 at 10:00 a.m.

The Board retired to Executive Session 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 12:14 p.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 an agreement with New York Commercial Bank for a line of credit for the purpose of obtaining a secured credit facility in the amount of \$2,500,000 the collateral for which shall be UCC-1 filing on all assets to be used for working capital and/or term financing under the terms and conditions expressed in the offering by New York Commercial Bank by correspondence dated April 17, 2007.

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 24th day of May, 2007.

Secretary

RESOLUTION

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

RESOLVED, that Jeffrey A. Casale, President of Suffolk Regional Off-Track Betting Corporation is hereby authorized to expend the sum of \$21,100.00 for Spaces Architects for architectural fees in connection with plans for the new Deer Park Branch located on Grand Boulevard in Deer Park.

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Secretary

RESOLUTION

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

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