

A Meeting of the Board of Directors of the Suffolk Regional Off-Track Betting

Corporation was held on June 24, 2009 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
Eddie S. Wynn	Secretary
Jeffrey A. Casale	President/CEO
Marietta M. Seaman	Vice President
Neil H. Tiger	Corporate Counsel
Celine Gazes	Comptroller
Edna Donohue	Corresponding Secretary to Board

Also Present:

David Needham	Chief of Staff
Russ Kratoville	Deputy Comptroller
Tom Kilmartin	Special Assistant to the President for Budget
Debbie Pfeiffer	Director of Government and Public Affairs
Paul Edelstein	Director of Wagering Operations and Services
Kevin Snover	Board Counsel

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 MAY 28, 2009

Chairman Feeney stated that the first item on the Agenda was to approve the Minutes of the Board of Directors Meeting of May 28, 2009. Vice-Chairman Hemendinger made a motion that the Minutes be approved, seconded by Secretary Wynn and passed unanimously.

ITEM #2 MAY 2009 HANDLE REPORT

Comptroller Gazes reported that handle for the month of May was down 12.3% from 2008 and year-to-date down 11.7%. Due to the revision of the monthly projections, May was up \$19,267 from projected handle and year-to-date down \$4,323,977.

Page 2 is handle by branch. Qwik-Bet handle is up 12.7% due to the additional locations. CB's opened on April 8th and Tommy's Place 2 opened on May 27th. Most of the branches were down significantly as follows: Phone Room down 25.1%, Commack down 27.1%, Southampton down 31.8%, Patchogue down 21.6% and The Forum down 19.9%. Riverhead was basically flat while Centereach was up 10.5% and Grand Blvd. up 19.9%. Southampton's handle is down possibly due to its being closed at night but the largest percentage is due to the two big race days' decline in handle.

Page 3 is a comparison of handle by entity. On a month-to-date basis, phone room handle as a percentage decreased from 13.2% in 2008 to 11.3% in 2009, for the Forum as a percentage of total from 26.2% to 23.9%, handle for the branches as a percentage of total increased from 57.8% in 2008 to 61.3% in 2009. Qwik-Bets have increased from 2.7% to 3.5% of total handle. On a year-to-date basis, the trends in percentages of total handle are similar as those just mentioned. As a result of the increased percentage of handle coming from regular branches and Qwik-Bets, the surcharge revenue decreased for the month only 7.7% while handle decreased 12.3% and year-to-date surcharge revenue is down about 7.5%. A graphical presentation of that is on Page 4.

Page 5 is a summary of handle by track. NYRA handle decreased 15.2% despite the same number of racing days as in 2008; Finger Lakes handle was up 16.8% with two additional racing days. Out-of-state thoroughbred handle was down 16.2%. In-state harness handle

decreased 4.5% however there was a 26.5% increase at Monticello and Saratoga Harness also increased 18.6%. Triple Crown handle increased 2.5% due to a great Preakness. Out-of-state harness handle decreased 18.8% with Meadowlands down 32% and Hoosier down 63.5%. This does result in less monthly liability but the maintenance of effort payment brings it back up.. Note is made of the fewer racing days being opted by some of the tracks with less horses available. Less product equals less betting.

Page 6 is a summary of statewide OTB handle by region. On average, the OTB regions' handle decreased 9.6% from 2008 with Suffolk's decline being 12.3%. On a year-to-date basis, the statewide decrease is 10.7% with Suffolk's being 11.7%.

As a preview to June, through June 23rd, month-to-date handle was down from 2208 18.5% with more dark days in June 2009. 15.5% from 2009.

Other items impacting the handle for Suffolk is the bad weather pattern we're in as well as the loss of the NYRA signal.

ITEM #3 RESPONSE TO STATE'S TASK FORCE ON OFF-TRACK BETTING
FUTURE

President Casale stated Suffolk had responded to the State's Task Force on the future of Off-Track betting in a document of over 50 pages and covering every issue. It is similar to the other plans Suffolk has submitted for consideration. If, in fact, it is taken on its merits and without the spin of the harness track owners, we might see a beneficial reaction to what we have proposed. Capital OTB also submitted an extensive response very similar to Suffolk's. Western submitted a very concise response and in support of the changes Suffolk feels should be made. No information is available with respect to New York City, Nassau and Catskill. The Task Force is meeting on the 24th at 11:00 which meeting will be podcast. County Executive Levy also

submitted a letter to the Task Force which was very supportive of the efforts Suffolk OTB has been making to effect statutory changes.

ITEM #4 REPORT ON STAFF MEETING

President Casale reported that a staff meeting was held on June 19th outlining some policy changes to the Personnel Policy Manuals. The changes have been implemented to address the current financial condition of the Corporation and to develop a systemic approach to personnel policies that impact on the Corporation's financial viability. The current national economic conditions downturn and decline in gaming in general and parimutuel wagering in particular required us to act in the best interest of the continued financial viability of the corporation. The Board will be supplied with detailed list of these policy changes. They directly relate to employees retiring after September 1 and include contributions to the employee's health coverage cost; several changes to the vacation and time policy including caps on time to be cashed out or carried over; institute new rules requiring that compensatory time would be used before vacation time resulting in getting compensatory time off the books. The significance of the last change will have a favorable impact on the GASBE 45 actuarial analysis. In addition the buyback option for employees not participating in the Corporation's health insurance is reduced to \$4,500 and will be further reduced to \$2,500 annually. The changes mentioned are only part of the package. The Corporation has investigated and will present to the Board a re-structure of the Corporate debt which should result in saving money on a monthly basis and is designed to keep the cash flow healthy. A re-finance proposal has already been received from New York Commercial Bank and another meeting will be held on June 25th with another bank. Deputy Comptroller, Russ Kratoville, added as a brief overview, the Corporation would save

approximately \$9,400 per month in cash flow under this initial proposal. Vice-President Seaman is heading up a committee that is looking into alternative health insurance plans as NYSHIP is predicting a 7.5% increase in the rates.

ITEM #5 IMPLEMENTATION OF NEW SCHEDULE

In addition to the steps previously outlined, the Corporation intends to implement a return to a 5-day work schedule in the branches. The plans to be put in place will allow for a 7-8 hour shift depending on the day. This will result in branch operation consistency and by eliminating . night differential will result in savings. This change will be implemented after the Saratoga meet. In addition, there is serious consideration being given to the closing of a branch after the Saratoga meet. Jack Luquer, the Director of Buildings, Grounds and Security, completely revamped the schedule for the Attendant Custodians which will result in a savings of approximately \$96,000.

ITEM #6 SUNY SAT SITUATION

President Casale stated that four of the five regions that comprised the New York State Association of Off-Track Betting Corporations formed solely for the purpose of entering into a contract with SUNYSAT have filed a Notice of Claim as partners in a contract with SUNYSAT against Nassau Off Track Betting as a result of Nassau's unilaterally deciding to withdraw from the agreement resulting in increased financial liability for the remaining association members Each remaining partner would be liable for an additional \$60,000 per region. The President of Catskill OTB is acting as the point person in this matter and issued the Notice of Claim. It is not

a step easily taken but action was necessary to protect the other regions' interests under the contractual obligation.

Nassau has brought a lawsuit against NYRA as a result of NYRA blocking its cablevision signal to Nassau residences. When it first happened, our branches were effected as well but due to the cooperation with NYRA and Cablevision, the signal was bifurcated and restored to Suffolk the day before the Belmont Stakes. A very small portion of Suffolk however is tied to the Nassau cable network. A letter of thanks was sent to Cablevision.

ITEM #7 RECENT NEWS

President Casale stated he was advised by Nassau OTB that there was a possibility Nassau and Suffolk would get VLTs if pressure were put on the Suffolk delegation. Although the revenue figure quoted was forty (40%) percent, however, in actuality the most Suffolk County would realize was 17%, far less than the County would receive with its own VLT casino. President Casale, Vice-President Seaman and Chief of Staff Needham have spoken to our many elected officials about the ill effects of such proposed legislation on Suffolk County. Discussion followed describing the various things that would be taken over and the total loss to the County. It is the opinion that it would be bad for the racing industry and for the OTBs.

Another item that was brought to President Casale's attention is referred to as the racing compact bill. It basically standardizes the rules and regulations for racing and racing entities within the State, integrity, safety issues. President Casale and Counsel Tiger reviewed the proposed bill and have no objections to it and that was forwarded to Chairman Sabini of the Racing & Wagering Board who was appreciative of our quick response. Chairman Feeney stated there had been an article in the Daily News about cutting back racing at Aqueduct and Belmont.

It is believed the idea behind the proposal would allow for larger fields on their racing days and bigger purses. This has been done at other tracks such as Hollywood and Churchill.

ITEM #8 CONTRACT WITH SCIENTIFIC GAMES

President Casale stated that the contract with Scientific Games expired in May. Although there have been active negotiations ongoing, the contract is on a month-to-month basis. The chief concern is in preserving the current rates and that there would be no increase and that Suffolk would have the ability to opt out of the contract in the event of a successful bid by a tote other than Scientific Games on the statewide tote RFP. Scientific Games has agreed to the conditions. By extending the contract, there will be no increases and we have the ability to opt out of the contract. Chairman Feeney inquired as to updating the machines but was advised there would be a significant increase in the cost. That type of update is included in the RFP for the state-wide tote. By acting as one entity, an upgrade to new machines is possible since fees are based on handle and New York State accounts for 80% of handle in the country. Accordingly, he requested that the Board authorize the President to enter into an extension of the existing contract with Scientific Games under the negotiated terms and at the current rate. Thereafter, Vice-Chairman Hemendinger moved that the Corporation's President be authorized to enter into an extension of the existing contract with Scientific Games under the negotiated terms and current rate, which was seconded by Secretary Wynn and passed unanimously.

ITEM #9 RESTRUCTURING OF CORPORATE DEBT

President Casale then stated that a resolution would be required with respect to the restructuring of the Corporate debt as had been previously discussed. Accordingly, Vice-Chairman

Hemendinger made a motion to authorize President Casale to enter into negotiations with the various banks to affect the re-structure of the Corporate debt with the advisory that any agreement or commitment be approved by the Board of Directors, which was seconded by Secretary Wynn and unanimously passed.

ITEM #10 PERSONNEL MATTER

President Casale advised briefly that a current employee has had herself re-instated into Tier 1 status of the New York State and Local Retirement System. The initial error was made by a different public entity, however, the State Comptroller's Office has indicated they expect Suffolk OTB to remit payment on behalf of the employee in the amount of \$88,000. Chairman Feeney cited a former instance whereby the Corporation was held in for a large sum of money. In the instant case, the amount sought is only \$18,000 with interest and penalties making up the balance. Efforts are being made to establish where the error was made and it clearly was not at Suffolk OTB. Labor counsel is reviewing the matter to determine what remedies, if any, are available to the Corporation.

ITEM #11 LEGISLATIVE UP-DATE

Debbie Pfeiffer advised that in addition to the County Executive's letter to the Task Force on the Future of OTB, the Suffolk County Legislature's Presiding Officer is penning a letter in opposition to the Nassau OTB VLT proposal. In addition, Legislator DuWayne Gregory is in support of our position.

The next meeting of the Board of Directors is scheduled for July 30th, 2009 at 10:00
a.m..

Thereafter, Vice-Chairman Hemendinger moved that the meeting be adjourned, seconded
by Secretary Wynn and unanimously carried.

Secretary

RESOLUTION

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

RESOLVED, that that the Corporation's President is authorized to enter into an extension of the existing contract with Scientific Games under the negotiated terms and current rate.

CERTIFICATE OF SECRETARY

EDDIE S. WYNN, 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 June, 2009.

Secretary

RESOLUTION

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

RESOLVED, that that the Corporation's President is authorized to enter into negotiations with the various banks to affect the re-structure of the Corporate debt with the advisory that any agreement or commitment be approved by the Board of Directors.

CERTIFICATE OF SECRETARY

EDDIE S. WYNN, 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 June, 2009.

Secretary