

**Minutes of the 4th Members Meeting of the Franchise Oversight Board
Held on May 28, 2009 at 1:00 P.M., Conference Room 143, State Capitol, Albany,
New York**

Members Present:

Laura Anglin, Chair

Gordon Medenica, Member

Sylvia Hamer, Member (participating via videoconference)

Steven Newman, Member (participating via teleconference)

The Chair called the meeting to order at 1:00pm. and asked the Members of the Board to identify themselves for the record. Following introductions, the Chair proceeded to the first item on the agenda, approval of the Board's meeting minutes for December 28, 2008. The Chair asked the Members if they had any questions or comments related to the minutes.

The Chair asked for a motion to approve the minutes. Member Medenica offered the motion, seconded by Member Newman and the motion was adopted unanimously.

The Chair proceeded to the next item on the agenda, Board review of the 2009 Operating Budget of the New York Racing Association (NYRA), which is legally mandated by Chapter 18 of the Laws of 2008. The Chair reminded the members that, at the Board's December meeting, the Board asked NYRA to restructure its 2009 budget presentation to provide the board with a better understanding of the Association's Operating Budget. The Chair then acknowledged that, while NYRA had complied with this request, it had not provided, in particular, a detailed budgeted salary schedule for its non-unionized management employees, as requested by the Board. Absent this information, stated the Chair, the Board could not fully assess the adequacy of NYRA's budgeted personal services expenses, nor could the Board determine if any contingent liabilities existed in relation to contractual bonuses or severance packages afforded to senior management. The Chair informed the members that, while the revised budget document submitted by NYRA provided the Board with benchmarks by which to evaluate their operations and finances, the Board could not determine its efficacy as a control document without the additional information requested as such information was necessary for the Board to verify the data contained in NYRA's revised budget document. Since NYRA has received over \$40 million in State funds over the past several years to finance its operations, the Chair stated that the Board had a compelling fiduciary responsibility to the State's taxpayers to ensure that NYRA is spending public funds in a prudent and wise fashion. The Chair concluded the discussion by recommending to the members that the Board table the discussion of NYRA's 2009 operating budget until the Association complies with the FOB's request for additional, supporting information. The members then expressed their concurrence with the chairs recommendation.

The Chair proceeded to the third item on the agenda, Board approval of NYRA's contract with UHY for audit services related to the development of NYRA's annual financial statements for 2008. The Chair then asked Mr. Hayward, NYRA CEO to summarize the substance of the contract. Following this brief discussion the chair asked the members if they had any further questions for NYRA regarding the contract. Member Newman asked the NYRA representatives about the solicitation and selection process employed to select UHY, who the other bidders were and what were the determinative factors in UHY winning the bid. NYRA representatives then attempted to explain the process whereby UHY was ultimately selected as the audit firm and asserted that UHY's continued tenure is in part reflective of the limited number of firm with the technical capacities and expertise to audit a racing corporation. NYRA representatives present asserted that staff members more directly involved in the selection process were not present and therefore it was not possible to discuss the process and the award selection in a detailed fashion as might be appropriate to the line of questioning. Upon the conclusion of that discussion the Chair then asked for a motion to adopt Board resolution number 09-02, approving NYRA's contract for auditing services with UHY. Member Medenica offered the motion, and it was seconded by Member Hamer. Mr. Newman continued to express his concerns about the selection process and cited a need for additional information concerning the process by which NYRA selected UHY for audit services. Ms. Hamer then stated that she understood and share Mr. Newman's concern. The roll call vote resulted in a 2-2 tie with the Chair and Mr. Medenica voting in the affirmative and Mr. Newman and Ms. Hamer voting in the negative and the resolution was therefore not adopted.

The Chair moved to the fourth item on the Agenda, the presentation of the Chair's report. The Chair informed the Board that since the December meeting, additional appointments were made to the Aqueduct and Saratoga Advisory Boards. The Chair proceeded to name the individuals so appointed. The Chair then concluded by informing the Board that it was her hope that the FOB would be in a position to approve NYRA's procurement policies at this meeting, but NYRA and Lottery were continuing their work on this document and it was expected that a completed version would be presented at the next Franchise Oversight Board meeting.

Following the conclusion of the Chair's report to the Board, the Chair concluded the meeting by asking the Members if there was any further business to come before the Board. All the Members responded in the negative.

There being no further business, the Chair made a motion to adjourn; Member Medenica seconded the motion and the meeting was adjourned at 1:45 p.m.