

Minutes of the Members Meeting of the Franchise Oversight Board held on August 15th, 2011 at 1:00 P.M., Conference Room 131, State Capitol, Albany, New York

Members Present:

Robert Megna, Chair

Gordon Medenica, Member

John Crotty, Member (participating via videoconference)

Steven Newman, Member (participating via videoconference)

Richard Aurelio, Member (participating via videoconference)

The Chair called the meeting to order at approximately 1:10 pm.

The Chair indicated that the first item of business was adoption of the May 23, 2011 and June 20, 2011 meeting minutes and asked the members for any edits or comments. Mr. Newman indicated that he would like to see a list of persons in attendance included with future minutes.

A motion was given and seconded approving and adopting the minutes and the motion was approved unanimously.

The Chair then moved to the next item on the agenda - approval of Board Resolution 11-03 approving an easement at Belmont Racetrack for the Long Island Power Authority. The Chair noted that the item had been tabled from the prior meeting to allow members the opportunity to review additional charts, diagrams and photos. There was no additional discussion with respect to this item and a motion to adopt Board Resolution 11-03 was given and seconded and the motion was adopted unanimously.

The Chair then moved to the next item on the agenda - Resolution 11-06 approving a one-year extension of NYRA's contract with UHY for auditing services and called upon Mr. Patrick Kehoe, NYRA General Counsel, to present the item.

Mr. Kehoe explained that when UHY was awarded the bid in 2010, owing to NYRA's tenuous financial position, NYRA received only two respondents to its Request for Proposals (RFP), suggesting a very limited number of potential firms that would be interested in providing the services. Further, Mr. Kehoe stated that with NYRA's financial position turning positive with the inception of VLTs an RFP issued in 2012 would likely garner more respondents. Additionally, Mr. Kehoe indicated that NYRA's internal auditor had suddenly passed away over the summer and installing a new audit firm in the wake of his death might prove disruptive. Finally, Mr. Kehoe indicated that UHY would be providing a new senior partner to oversee the 2011 audit.

Mr. Newman expressed his concern that while he has no issue with UHY, or a one-year extension of the UHY contract, a primary tenet of strong internal controls is the regular rotation of an entity's outside audit contract between accounting firms. In this context Mr. Newman noted that UHY will have held this contract for six or seven years upon the

conclusion of this extension. Members Crotty and Aurelio concurred with Mr. Newman's comments. Mr. Newman then requested that the Resolution be amended to add a provision that requests that NYRA search for a firm other than UHY for its 2012 audit contract. The Resolution as amended by Mr. Newman, was moved, seconded and unanimously adopted.

The Board then participated in a discussion with Mr. Kehoe and Ms. Ellen McClain regarding sole source and procurement contracts entered into by NYRA for the first six months of 2011. Ms. McClain noted that there were 10 such contracts, four of which related to production of HDTV broadcasts for NBC-Versus.

Members expressed concern regarding the lack of dollar value information contained within the report. Mr. Kehoe explained that in these instances NYRA had entered into confidentiality agreements with the vendors and that NYRA was in the process of seeking waivers from the vendors such that this information may be shared with the Oversight Board moving forward.

The Chairman then moved to the final item on the agenda - discussion of NYRA's year to date operating results and NYRA's efforts to develop a profitability plan.

Ms. McClain discussed operating results and indicated that while NYRA continued to operate at a loss, NYRA had to a large degree offset the loss of NYCOTB via increased on track handle and via wagers made on NYRA's internet and phone betting platforms that generate significant greater profit margin for NYRA versus NYCOTB wagers. On the expenditure side of the business Ms. McClain and Mr. Hayward indicated that NYRA's cost structure continues to be adversely impacted by high labor costs that appear to be built in to NYRA's existing labor contracts.

Mr. Hayward then made a presentation regarding NYRA's long term strategic plan (attached). Mr. Hayward discussed a proposal to establish NYRA wagering outlets in restaurants and bars within New York City as a way to increase revenues, among other ideas. Mr. Hayward also indicated that with the inception of VLT gaming at Aqueduct there would be increased purse money which would result in increased field size and therefore additional wagering opportunities.

Members asked Mr. Hayward and Ms. McClain a variety of questions regarding the operating results and the strategic plan.

The Chair then asked Members if they had any further business to bring before the Board. As there were no such matters, the Chair adjourned the meeting of the Franchise Oversight Board at 3:28 pm.