

A Meeting of the Board of Directors of the Suffolk Regional Off-Track Betting Corporation was held on January 31, 2013 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
Philip C. Nolan	President/CEO
Anthony Pancella III	Vice President
Celine Gazes	Comptroller
James McManmon	General Counsel
Kim Edelstein	Director of Wagering Operations and Services
Kevin Snover	Counsel to the Board of Directors
Paulette L. Moses	Corresponding Secretary to the Board

Also Present:

Lorraine Pappas	Deputy Chief of Staff
Debbie Pfeiffer	Director of Government and Public Affairs
Cathy Rice	Teamster Local 237 Representative

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The Meeting was called to order by Chairman Feeney at 10:00 A.M.

**ITEM #1      APPROVAL OF MINUTES OF THE BOARD OF DIRECTORS  
MEETING DECEMBER 13, 2012**

Chairman Feeney stated that the first item on the Agenda was to approve the Minutes of the Board of Directors' Meeting of December 13, 2012 whereupon a motion that those Minutes be approved was made by Vice Chairman Hemendinger, seconded by Secretary Wynn and carried unanimously.

**ITEM #2      DECEMBER 2012 HANDLE REPORT**

Comptroller Gazes reported the analysis of the December 2012 Handle Report for the month of December was down \$323,004 or 3.6% from 2011, and noted that two branches, Ronkonkoma and Grand Boulevard, were closed in the month of December last year. The year to date handle through December 2012 is down \$9,382,676 or 7.6% from 2011. December's handle

exceeded the projected handle as submitted to Racing and Wagering by \$218,209 or 16.9% for the month but fell short by \$12,563,891 or 10.0% year to date. There were 14 dark days in December this year and 13 last year.

The total Qwik Bet handle was up \$135,503 or 22.2% for the month, mainly due to large increases at the Southampton Publick House, Jon Thomas Inne and Jimmy's Pub, and the opening of two new locations: Pub 347 and Lily Flanagan's. This was partially offset by the loss of Vincenzo's. Comptroller Gazes explained to the Board that Bruno's will be closed as of next month, and the decrease will be reflected in January's handle report. The new owners are interested in Qwik Bet as confirmed by Counsel McManmon and will have to submit an application. We are hopeful this will go smoothly. Of the remaining locations, some had increases and some had decreases. The total Qwik Bet handle is up year to date \$1,100,733 or 12.9%. Internet wagering was slightly down by \$6,395 or 1.0%, but telephone wagering was slightly up at \$4,967 or 0.7%, so overall account wagering handle (phone and internet combined) was basically flat; a net decrease of \$1,428 or 0.1% for the month of December. The year to date, account wagering handle is still up \$491,813 or 2.7%. The Racing Forum's handle for December was down \$77,449 or 3.4%. Year to date handle at the Forum is down \$1,518,878 or 4.8%.

The overall regular branch handle is down \$379,631 (or 8.1% month to date), and \$9,456,343 (or 14.7% year to date). Centereach, Airport, and Sunrise all increased for the month, ranging from 9.5% to 13.6%, with Sunrise having the largest percentage increase. Of the remaining branches, only Commack had a significant decrease year to date at \$752,038 or 9.2%. Route 110 decreased year to date by \$106,327 or 1.7%. Centereach, Shirley, Airport, and Sunrise all increased year to date between 2.0% and 9.4%. Next month, when we see the January handle report, it will be the first comparison with the same number of branches in both years.

The telephone handle as a percentage of total handle for the month of December increased from 8.1% in 2011 to 8.5% in 2012. Internet handle increased from 7.2% of the total in December 2011 to 7.3% in December 2012. Combined phone and internet handle represented 15.3% of the total for December 2011 and 15.8% for December 2012. The handle for the Forum for the month of December - as a percentage of total handle - remained about the same 25.6% in 2011 versus 25.7% this year. The handle for the regular branches as a percentage of total handle decreased from 52.3% in 2011 to 49.9% in 2012, due to the closing of several branches and the shift towards internet wagering and Qwik Bets. Qwik bets increased from 6.8% to 8.6% of total handle for the month. The year to date is showing the same trends: more of the handle (as a % of the total) is coming from Qwik Bets and Internet and less from regular brick and mortar branches.

The Aqueduct handle was down \$176,062 or 6.95%. There was one less racing day in 2012. The daily average went from \$140,637 in December 2011 to \$138,554 in December 2012. Finger Lakes handle was down \$3,188 or 3.95%, despite having had one more race day in December 2012, 5 days versus 4 days in December 2011. In-state harness handle was down \$25,396 or 5.02%. Monticello had the largest percentage decrease, at \$19,990 or 9.58%, with 1 less racing day than last year. Yonkers was down \$21,624 or 7.93%. Saratoga Harness was up \$13,851 or 60.12%, they did have 2 more race days this year, but the daily average also increased from \$3,292 in December 2011 to \$4,099 in December 2012. Out of state thoroughbred handle was down \$207,958 or 4.06%. Several tracks did have increases, but this is because they had more racing days this year due to the timing of the meets. The out of state harness handle was up at \$89,601 or 11.79%, this mainly stemming from Meadowlands, which did not run in December last year, and significant increases at Balmoral, Freehold, and Western Fair.

The summary of statewide OTB handles by region - month to date - is now shown first, to be consistent with the rest of the report. Overall statewide handle for the month was down 6.4% from last year. Capital was the only region with an increase this month of 4.5%. Nassau's handle was again down by the highest percentage at 11.6%, followed by Western OTB, which had a decrease of 10.2%. Catskill was actually down by a higher percentage than we were at 7.3% for the month. In fact, of the regions that had decreases, our decrease was the smallest both in dollars and percentage. Year to date, Nassau is down 10.7%, as compared to our year to date decrease of 7.6%. Catskill's large decrease this month has eliminated their previous increases; they are basically flat year to date at a 0.4% decrease. Western is down 6.8% year to date, and Capital is the only region that increased. They are up year to date by 1.7%.

Comptroller Gazes said that through Wednesday, January 29<sup>th</sup>, handle is down for the month by \$320,783 or 3.68 %. However, she believes the decrease for the month will end up around 2%.

### **ITEM #3      PRESIDENT'S REPORT**

#### **CREDITORS COMMITTEE UPDATE**

President Nolan stated that he would like to take this opportunity to update the Board in general terms with regards to the Bankruptcy. Over the last few months we have gone through a very instructive episode with our creditors committee. He feels comfortable with them and he believes that they are being very reasonable with us while representing their own interests. The episode that President Nolan speaks of is the Sportech internet contract that has been in negotiation. We believe that this is a good contract agreement and will be very helpful to the organization. The correspondence regarding the contract with Mr. Chris Riegle from Finger Lakes, the Creditors Committee leader has been very positive. Mr. Riegle had several questions and concerns that we discussed, but at the end of the day he sees this contract in a very favorable light for our future. Mr. Nolan stated that going through this process together has strengthened

us; Mr. Regal sees this contract as favorable and is impressed and agrees with our plan with Sportech. President Nolan expressed that this is very important that the Creditors Committee, especially the spokesperson, is seeing that we are conducting our affairs professionally and making true progress, we have had real important solid accomplishments that will show good results in the future. President Nolan stated that as we continue with the bankruptcy process this has been a very positive aspect.

### SPORTECH UPDATE

President Nolan explained that the Sportech internet contract, being one of the major parts of our future, is progressing and that we should be ready for a soft roll out in two to three weeks subject to approval by the Gaming Commission. Vice President Pancella agreed and explained that he and his team have been working with Sportech by going over the design and use of our website and comparing it to other sites on the web. He said that so far it looks as though we will have a better product to give our customers comparatively. In a few weeks, we will be presented with all the codes and passwords for us to use the site actively. Once we clear that we will do a soft launch and let a few select customers look at the site, use it and give us feedback. By the beginning of April, we will be ready to fully launch the site including marketing it properly and having a good product that people will be familiar with and ready for the Derby. Vice President Pancella believes that all is going very well and that we will be able to capitalize on the big race season.

President Nolan stated that Nassau Downs OTB at this point has a superior site than ours, they do 27-28 million per year and we do about 8 million. He feels that a figure of high teens for us in a year or so is realistic. This would mean a substantial increase in revenue for the organization and this is imperative to our future. President Nolan commended Vice President Pancella, Lorraine Pappas and Debbie Pfeiffer on a job well done; they all spent a lot of time and have been working very hard on this platform.

## QWIK BETS UPDATE

President Nolan explained that we have been pressing Qwik Bets hard and as a result we have more potential locations and are getting more businesses interested. We have several applications submitted at the Gaming Commission waiting approvals. President Nolan stated that the problems with the state certifications is that they are in flux and changes are happening, when this occurs it is natural that things tend to stagnate and we are hopeful that once this log jam begins to break we will have more approvals. Our marketing staff has been working with several more locations that will be good Qwik Bets locations.

### **ITEM #4      VICE PRESIDENT'S REPORT**

Vice President Pancella wanted to notify the Board that in addition to the initiatives we have been doing in house to better the future of Suffolk OTB, President Nolan organized a meeting at Yonkers Raceway with all the New York State racing entities including all the tracks, NYRA and all the OTBs. President Nolan chaired the meeting and Michael Kane from Western OTB was the co-chair, with the purpose being to discuss the relationship with the state legislation, the issues that are going on in racing industry and the relief that we will all need going forward. Vice President Pancella reported that all parties present were very grateful to have this opportunity to meet and the outcome was extremely favorable. The feedback reinforces that the environment in the industry is the best we can have under the circumstances of not knowing what the future will bring, to make the substantive changes that need to be made.

Vice President Pancella expressed that it was a good opportunity that he was able to have met with Mr. Riegle on the Creditors Committee to update him face to face on our current proposals that we have been working on that will need the committee's approval. It all came together in a very positive manner and many thanked President Nolan for organizing the meeting

and made him feel welcome and that he had a place there. Vice President Pancella commended President Nolan for having the foresight to bring these New York entities together to create a united front going forward and by being a new and aggressive leader; he brought a new perspective and established that Suffolk OTB certainly would a big part of any changes going forward. President Nolan thanked him and expressed that having common ground is essential and having NYRA at the table was crucial, David O'Rourke is very knowledgeable and will strengthen us with New York Racing's future by have one voice in dealing with tracks and the legislation going forward.

**ITEM #5 ELECTION OF OFFICERS**

A motion was made by Vice Chairman Hemendinger to nominate Dominick Feeney as Chairman. The motion was seconded by Secretary Wynn and carried unanimously.

A motion was made by Chairman Feeney to nominate Herbert Hemendinger as Vice Chairman. The motion was seconded by Secretary Wynn and carried unanimously.

A motion was made by Vice Chairman Hemendinger to nominate Eddie Wynn as Secretary. The motion was seconded by Chairman Feeney and carried unanimously.

**ITEM #6      PROCUREMENT POLICY**

General Counsel McManmon explained that the Corporation's Procurement Policy as presented is the same as presented last year with no changes.

A motion was made by Vice Chairman Hemendinger to adopt the Procurement Policy for the Corporation for 2013. The motion was seconded by Secretary Wynn and carried unanimously.

**ITEM #7      INVESTMENT POLICY**

Comptroller Gazes explained that the Investment Policy as presented is the same as presented last year with no changes.

A motion was made by Vice Chairman Hemendinger to adopt the Investment Policy for the Corporation for 2013. The motion was seconded by Secretary Wynn and carried unanimously.

**ITEM #8      INDEPENDENT AUDITING SERVICES OF AVZ**

Comptroller Gazes referred to the engagement letter received from Albrecht, Viggiano, Zureck & Co. (AVZ), the firm which Suffolk OTB engages as our independent auditors. The letter describes the accounting services and reports which AVZ will provide to Suffolk OTB for the year ending December 31, 2012. Comptroller Gazes noted that he will sign this letter of understanding based on the agreement which Suffolk OTB already has in place with AVZ. The audit is scheduled to start February 19, 2012 and is due at the end of March 2013.

**ITEM #9      RENEWAL OF AGREEMENT WITH KEVIN SNOVER ESQ.**

A motion was made by Vice Chairman Hemendinger to extend the agreement with Kevin Snover Esq. for services as Counsel to the Board of Directors at a cost of \$22,000.00 for the year 2013. The motion was seconded by Secretary Wynn and carried unanimously.

President Nolan asked that the Board consider going into Executive Session. A motion was made by Vice Chairman Hemendinger that the Board go into Executive Session. The motion was seconded by Secretary Wynn and carried unanimously.

Upon reconvening in Open Session, Counsel McManmon stated that during Executive Session certain personnel matters and litigation matters were discussed. No motions were made and no votes were taken.

There being no further business before the Board, a motion was made by Vice-Chairman Hemendinger that the meeting be adjourned. The motion was seconded by Secretary Wynn and carried unanimously.

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Eddie S. Wynn, Secretary

**RESOLUTION**

After a motion having been made, seconded and unanimously carried, it is

RESOLVED, that the Corporation's Procurement Policy is hereby adopted for the year 2013.

**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 meeting of the Board of Directors of Suffolk Regional Off-Track Betting Corporation held at Hauppauge, New York 11788 on the 31<sup>st</sup> day of January 2013.

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Eddie S. Wynn, Secretary

**RESOLUTION**

After a motion having been made, seconded and unanimously carried, it is

RESOLVED, that the Corporation's Investment Policy is hereby adopted  
for the year 2013.

**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 meeting of the Board of Directors of Suffolk Regional Off-Track Betting Corporation held at Hauppauge, New York 11788 on the 31<sup>st</sup> day of January 2012.

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Eddie S. Wynn, Secretary

**RESOLUTION**

After a motion having been made, seconded and unanimously carried, it is

RESOLVED, that the Board of Directors agrees to extend the agreement with Mr. Kevin Snover Esq. for services as Counsel to the Board of Directors at a cost of \$22,000.00 for the year 2013.

**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 meeting of the Board of Directors of Suffolk Regional Off-Track Betting Corporation held at Hauppauge, New York 11788 on the 31<sup>st</sup> day of January 2013.

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Eddie S. Wynn, Secretary