

A Meeting of the Board of Directors of the Suffolk Regional Off-Track Betting Corporation was held on March 7th, 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 Public and Government Affairs
Cathy Rice	Teamster Local 237 Representative
Sue Baschuk	Teamster Local 237 Representative

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 JANUARY 31, 2013

Chairman Feeney stated that the first item on the Agenda was to approve the Minutes of the Board of Directors' Meeting of January 31, 2013 whereupon a motion that those Minutes be approved was made by Vice Chairman Hemendinger, seconded by Secretary Wynn and carried unanimously.

ITEM #2 JANUARY 2013 HANDLE REPORT

Comptroller Gazes reported the analysis of the January 2013 Handle Report for the month of January was down \$100,167 or 1.1% from 2012. She noted that the same number of branches are being compared this year verses last year. January's handle fell short of projected handle as submitted

to the NYS Gaming Commission by \$190,802 or 2.1% for the month. There were 12 dark days in January this year and 11 last year.

The total Qwik Bet handle was down \$82,033 or 9.6% for the month, due to a large decrease of \$143,053 at Jimmy's Pub and the loss of Vincenzo's which is a \$35,603 decrease. This was offset by the opening of several locations that weren't operating this time last year; Healy's, Pub 347, Lily Flanagan's, and Founders. Of the remaining locations, some had increases and some had decreases. Internet wagering was down \$67,595 or 10.0%. Telephone wagering was also down \$109,817 or 13.2%, so overall account wagering handle, which is the phone and internet combined, was down \$177,412 or 11.8% for the month of January. The Racing Forum's handle for January was up \$215,853 or 10.1%. Comptroller Gazes asked if there were any specific promotions or special events that would account for the increase. Vice President Pancella responded that the Poker Tournaments on Wednesday nights are becoming successful and bringing an approximate 40-45 extra people to the Forum. Overall regular branch handle is down \$56,575 or 1.3% month to date. However, this decrease was not evenly spread amongst the branches. Commack and Shirley both had increases of 1.0% and 5.5% respectively. Centereach, Route 110, Airport, and Sunrise all decreased for the month between 0.5% at Centereach and 7.0% at Route 110.

The telephone handle as a percentage of total handle for the month of January decreased from 9.4% in 2012 to 8.3% in 2013. Internet handle decreased from 7.6% of the total in January 2012 to 7.0% in January 2013. Telephone and internet handle combined represented 17.0% of the total for January 2012 and 15.3% for January 2013. The decrease in Qwik Bets is a contributing factor. Handle for the Forum for the month of January as a percentage of total handle increased from 24.3% in 2012 to 27.0% this year. Handle for the regular branches as a percentage of total handle decreased slightly from 49.0% in 2012 to 48.9% in 2013. Qwik Bets decreased from 9.6% to 8.8% of total handle for the month.

Aqueduct handle was down \$182,140 or 6.82%. There was one less racing day in 2013. The daily average went from \$133,630 in January 2012 to \$131,077 in January 2013. In-state harness handle was up \$88,192 or 24.01%. Buffalo had a huge percentage increase; the handle more than tripled for the month with 10 racing days verses 8 last year. Monticello was up \$28,614 or 14.1%, and Yonkers was up \$38,294 or 24.7%. The daily average for each of the three tracks increased as well.

Out of state thoroughbred handle was down \$191,922 or 3.94%. Several of the tracks did have increases, however, and not just in the total for the month. The average per day also increased for Golden Gate, Gulfstream, Laurel, and Penn National. Other tracks did have significant decreases, most notably Fairgrounds, which decreased by \$146,230 or 34.8%. They had 5 fewer racing days, but the daily average also decreased from \$20,032 to \$17,153. Out of state harness handle was up \$185,703 or 20.4%, mainly stemming from significant increases at Dover Downs, Freehold, Meadowlands, and Northfield Park.

The summary of statewide OTB handles overall for the month was down 2.8% from last year. Capital had an increase this month of 1.6%. Catskill was basically flat and up by 0.4%. Nassau's handle was down again by the highest percentage 7.0%, followed by Western OTB, which had a decrease of 3.8%. Catskill was actually down by 7.3% for the month, which was a higher percentage decrease than Suffolk OTB. In fact, of the regions that had decreases, our decrease was the smallest both in dollars and percentage.

The February handle was down for the month. Unfortunately we did not do as well in February as we did in January. Comptroller Gazes explained that this is due to Aqueduct running only 4 days instead of 5, weather related cancellations and last year being leap year. These factors put together contribute to a decrease in handle. Handle was down over \$1,577,840 or \$16.9%.

ITEM #3 PRESIDENT'S REPORT

President Nolan stated that even with February down there is some good news in the numbers and we are hopefully trending in the right direction.

President Nolan explained to the Board that last month we had to lay off five managers. This action was contemplated for a long time and was decided upon with great difficulty. President Nolan reported that he worked together with Victor Salamone, Skip Earle and Vice President Pancella to work out the best transformation that would be the least painful and yield the greatest amount of savings. We rolled back operating hours at several of the branches and targeted hours that are not productive. We are confident that the reduction in hours will not affect our handle significantly. Five less full time managers will result in significant savings to the organization. This reduction is imperative to show to the Creditors Committee and the Bankruptcy Court that we continue to reduce expenses and maintain our handle. We had to take these difficult steps.

President Nolan reminded the Board that last month a meeting was put together with NYRA, the New York State tracks as well as all the OTB's. He met them at Yonkers Raceway with Vice President Pancella and Debbie Pfeiffer from SROTB. There were many topics to discuss that concern all the parties present. The one area of concentration was the unfair competitive advantage the ADW's have on all of us. The ADW's are taking money out of New York that should be staying in the state of New York. Over the last month, we have developed a piece of legislation that we believe will even the playing field and give us more revenue. We have spoken to legislative personnel about this matter and we are hopeful that the New York State Legislature will pass the legislation. Vice President Pancella noted that tomorrow we have a conference call scheduled with Bennett Liebman, the racing point man for Governor Cuomo's legislation, to discuss this issue.

President Nolan stated that he would like to give the Board Members a Qwik Bets update. He explained that these are very profitable for Suffolk OTB and are very important to our future. These Qwik Bets locations each generate \$50 to \$60 thousand dollars a year for the organization with very little expenditure, just administrative costs that are, in most cases, fixed costs anyway. He stated at other meetings that the regulatory approval process is slow and unnecessarily onerous. President Nolan has put a great emphasis on obtaining more locations, working with the marketing staff. As of now, we have dozens of leads and applications out, two applications are at the NYS Gaming Commission for approval and three are at the point where only a credit check is needed before sending them in for approval. We literally have seventeen applications out in the field and are working closely with the location owners to complete their applications. We have another nineteen prospects at the beginning of the Qwik Bets application process. The marketing staff has been working diligently and we are getting results and are hopeful that at the end of the year we will have opened several more Qwik Bet locations.

Secretary Wynn asked how we are doing on the process of getting the Qwik Bets application simplified. President Nolan responded that he will be having a meeting with Senator Philip Boyle, who is on the NYS Gaming Committee at the State Senate, with the intent of requesting that the application be simplified. President Nolan explained that the Qwik Bets location owners have already been approved by the NYS Liquor Authority and hold liquor licenses. He is requesting that the Qwik Bets application be similar. President Nolan explained that he believes that the NYS Gaming Commission is experiencing some changes, and is in transition. However, Vice President Pancella said that Ron Ochrym is named head of racing and promotion and we have a good relation with him as well as Jim Kellogg. We are counting on these relationships to aid us in the process of asking for simplification of the application process for our Qwik Bets approvals.

ITEM #4 VICE PRESIDENT'S REPORT

Vice President Pancella reports that he and his staff have been closely monitoring the development of our new internet website and working on improvements daily with Sportech. One day this month the new website was tested with several people from headquarters and the phone room. Employees were allowed to log on and test the site. This was a good exercise in determining changes that will be needed and what is working to date. Vice President Pancella and his staff were then able to communicate with Sportech their findings. He noted that Sportech has been very amiable to work with and our suggestions and requests have been met openly and they turn around the changes quickly so that we can move on to the next items. Vice President Pancella believes that our internet platform will be state of the art, a great website that will be user friendly. He believes this is a huge area for progress and generating handle. He is hopeful that the official website launch day will be April 19, 2013. We will have a launch event with promotions, to get customers signed up and ready for the Kentucky Derby.

ITEM #5 ANNUAL OPERATING BUDGET 2013

Comptroller Gazes stated that the projected handle is \$120 million; the base handle is projected to level at \$113 million, new Qwik Bets locations adding \$500,000 and the Internet platform will increase revenue by \$6.5 million. There is cost savings reflected due to the Manager issues that President Nolan discussed earlier in the meeting. There is a benefit savings due to the retiree plan change in last year's fourth quarter; we now have a year savings reflected in this year's budget. We are now preparing in house our monthly racing and wagering recording requirements that we send to the Gaming Commission. We previously hired AVZ accounting staff to aid in that process. The cell tower revenue is conservatively projected at \$300 thousand dollars. These fund are expected to be received during the 3rd and 4th quarter of this year. There will be an increase in revenue from the ATM machines that we own. We are doing the maintenance and servicing of them in house. These will double the income for this year starting in April.

Comptroller Gazes explained that in some areas we are going in the other direction, due to an unfortunate increase in our insurance premiums, from \$165,000 last year \$264,000 this year. This is for the property, liability, crime, automobile and umbrella policies. Vice President Pancella stated that the general liability was with a zero deductible and is now a \$25,000 deductible, and is still going up.

Comptroller Gazes described how the retirement contribution rates for the past four years have almost doubled; this is one reason that stops us from getting ahead of the curve on cutting expenses. The savings that we do achieve on other issues get wiped out. The bottom line is the actual 2012 loss is \$4.9 million and is now projected at \$2.2 million loss this year. There are a few things that were not incorporated in the 2013 budget that could reduce that loss further; one issue being the ADW legislation that Vice President Pancella mentioned and another is the possibility that we may receive some relief on the payments we are making to certain tracks. Vice Chairman Hemindinger complimented Comptroller Gazes on her hard work in preparation of the budget in Tom Kilmartin's absence.

Chairman Feeney stated that he hadn't witnessed officials working this close together at SROTB in a long time. He admires the hard work and commitment that President Nolan and Vice President Pancella have been doing and that energy spreads through out the whole organization. Vice Chairman Hemindinger and Secretary Wynn agreed with Chairman Feeney.

A motion was made by Vice Chairman Hemendinger to approve the operating budget as presented. The motion was seconded by Secretary Wynn and carried unanimously.

Chairman Feeney noted that the next meeting of the Board of Directors will be held Thursday, April 11th 2013 at 10:00 a.m.

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.

Eddie S. Wynn, Secretary

RESOLUTION

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

RESOLVED, that the Annual Operating Budget 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 9th day of March 2013.

Eddie S. Wynn, Secretary