

A Meeting of the Board of Directors of the Suffolk Regional Off-Track Betting Corporation was held on September 26, 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
Anthony Pancella III	Vice President
James McManmon	General Counsel
Celine Gazes	Comptroller
Kim Edelstein	Director of Wagering Operations & Customer Service
Jack Luquer	Executive Director of Corporate Facilities
Kevin Snover, Esq.	Counsel to the Board of Directors
Paulette L. Moses	Corresponding Secretary to the Board

Also Present:

Victor Salamone	Chief of Staff
Lorraine Pappas	Deputy Chief of Staff
Cathy Rice	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 AUGUST 22, 2013

Chairman Feeney stated that the first item on the Agenda was to approve the Minutes of the Board of Directors' Meeting of August 22, 2013 whereupon a motion that those Minutes be approved was made by Vice Chairman Hemendinger, seconded by Secretary Wynn and carried unanimously.

ITEM#2 AUGUST 2013 HANDLE REPORT

Comptroller Gazes reported the analysis of the August 2013 handle was down \$172,526 or 1.6% from 2012. The year to date handle through August was also down \$3,777,005 or 4.7% from 2012. August handle was up as submitted to the New York State Gaming Commission for projected handle by \$42,492 or 0.4% for the month, but year to date was down \$3,749,161 or 4.7%.

The total Qwik Bet handle was down \$169,306 or 16.5% for the month. Of the locations that were open in both years, some had increases most notably, Jimmy's Pub, whose handle increased by \$11,599, but most had decreases most notably Sit n' Sip, whose handle decreased by \$85,479 and Jon Thomas by \$57,650 due to transfer of ownership. Also, Bruno's and Dunton Inn were still operating this time last year. On the positive side, we have Pub 347, Rockwell's and Lily Flanagan's which opened in July and are up 66,781 for the month and we have opened two more in August, Bidy Spratts on August 14th and Napper Tandy-Smithtown on August 28th. Grumpy Jack's and Gator Blue will be opening in September, and Bapa Cards & Gifts will be our first non-bar location opening in October. Year to date through August, Qwik Bet handle is up \$24,961 or 0.4%.

Internet wagering was up \$12,313 or 1.5%, probably due to the launch of the new website on August 24th. Telephone wagering was down \$65,125 or 5.7%, so overall account wagering handle which is phone and internet combined was down \$52,812 or 2.7% for the month of August. Year to date internet handle is also up \$52,620 or 0.9% and year to date telephone handle is down \$710,974 or 9.4%. Combined account wagering handle is down year to date \$658,355 or 4.9%. The Racing Forum's handle for August was up \$364,337 or 12.2% for the month of August, and up \$951,468 or 4.6% year to date.

Overall regular branch handle was down \$314,746 or 6.3% month to date. However, this decrease was not evenly spread amongst the branches. Centereach, Commack and Route 110 had the largest decreases (\$132,932 or 11.9% for Centereach, \$133,696 or 19.2% for Commack and \$119,505 or 22.6% for Route 110), while Shirley was up \$140,890 or 23.4%. Year-to-date, regular branch handle is down \$4,100,732 or 10.6%. The only year-to-date increase is Shirley, at \$157,827 or 3.4%. The largest year-to-date decreases are again Commack at \$1,227,397 or 22.6%, and Route 110, at \$1,244,578 or 28.6%. This page contains a graphical representation of handle by branch for 2013 vs. 2012. Telephone handle as a percentage of total handle for the month of August decreased from 10.5% in 2012 to 10.0% in 2013. Internet handle increased from 7.4% in August 2012 to 7.7% in August 2013. Telephone and internet handle combined represented 17.9% of the total for August 2012 and 17.7% for August 2013. The handle for the Forum for the month of August as a percentage of total handle increased from 27.3% in 2012 to 31.1% this year. The handle for the regular branches as a percentage of total handle decreased from 45.4% in 2012 to 43.3% in 2013. Qwik bets decreased from 9.4% to 8.0% of total handle for the month.

The Saratoga handle was up \$121,599 or 2.3%, over the same number of race days (27), resulting in an increase in the daily average from \$199,916 in August 2012 to \$204,420 in August 2013. Finger Lakes handle is down \$13,712 or 4.0%. The daily average also decreased from \$15,746 to 14,465. In-state harness handle was down \$5,592 or 1.0%. Yonkers had the largest dollar decrease for the month (\$10,156 or 3.4%), and Tioga had the largest percentage decrease of \$8,436 or 72.3%. Monticello was up for the month (\$19,054 or 10.9%), and so was Saratoga Harness (\$5,660 or 8.4%). Out of state thoroughbred handle was down \$248,733 or 6.5%. Most of the tracks did have decreases, most significantly Calder, which decreased \$115,801 or 40.6% despite a similar number of race days;

14 days versus 16 last year. We still are not able to take Thistledown this month; they did \$117,570 in August 2012. On the up side, we had Gulfstream this year, which had a handle of \$171,353.

Out of state harness handle was also down \$26,089 or 3.1%

The overall statewide handle for the month was down 3.3% from last year. Catskill had a decrease this month by the highest percentage 7.8%. All other OTB's were also down ranging from 1.6% to 6.1%, with Western being the second highest percentage decrease and Suffolk having the lowest percentage (but still a decrease) for the month. Year-to-date statewide handle is down 5.3%, with Catskill having the highest percentage decrease of 11.0% and Capital the lowest at 1.8%. Suffolk has the second lowest YTD percentage decrease.

Through Tuesday, September 24, handle for the month is down by \$461,683 or 6.8%. Although this is expected to improve by the end of the month, we will most likely still be down for the month by about 4%.

ITEM #3 PRESIDENT'S REPORT

President Nolan reported to the Board that we have received eight VLT facility proposals from a "wish list" of reputable organizations. Over the next several weeks SROTb, along with a committee selected by Suffolk County officials, will be analyzing all the proposals. The selection process will include presentations from each company; from there the joint committee members will narrow the proposers down to a select few. President Nolan expresses that this is great news for the organization and we have some very important work to do over the next year to get the facility open, hopefully for the fourth quarter in 2014. The County has added a few dollars to the budget in anticipation of the

revenue for the fourth quarter of 2014. We will do everything in our power to achieve the goals set forth.

President Nolan stated that the Qwik Bet locations have increased. We have received approximately eight approvals over the last two months including two grand openings of these facilities. We are very excited about the growth of the Qwik Bets and the potential revenue that they will bring in for the company. We just received some information yesterday regarding the administrative relief forth coming from NYRA. This relief is expected retroactively as soon as this year. This is a significant amount of money and will benefit us greatly. The ADW legislation, as we have previously reported, is expected to happen on the first of the year. We are continuing to explore real estate transactions and the cell tower acquisition. These topics are finally getting closer to fruition, and we anticipate action very soon.

President Nolan noted lastly that we had a negotiation last week regarding MIB (Municipalities in Bankruptcy) financing. This essentially is a positive communication from our bank to allow us to access equity funding from our real estate ownership.

ITEM #4 VICE PRESIDENT'S REPORT

Vice President Pancella stated to the Board that we held a meeting with Capitol One Bank relating to their opportunities and we will continue to meet with several other banks in the financial community to get the best deal for the organization.

Vice President Pancella reported that he - along with President Nolan, James McManmon, and Jack Luquer - paid an overnight visit to Batavia Downs in Buffalo last week. He expressed that the Batavia representatives could not have been more accommodating to us. They opened up every aspect

of their business to us, including their behind the scenes operations and that their handle as an OTB is the same as ours. The debt going into the opening of their VLT's is almost the same as ours is now. They are building a new facility but now have approximately 800 VLT's. Batavia Downs had many similarities to our situation with the exception of an onsite track. It was observed that their population and per capita income in the Buffalo area is less than ours here in Suffolk. They built their facility in an existing building with no ceilings; they painted an industrial-type building with not much flare and excess, just the machines that do approximately one million dollars a week business. They revealed how the facility rescued their business and expressed confidence that it will rescue Suffolk OTB as well. The trip was well worth the information we gathered and we are grateful to Batavia Downs for their hospitality and help.

President Nolan wanted to add that the Creditors Committee has directed us to retain a financial advisor with an expertise in casino operations. They recommended two different companies for us to interview and consider entering into a contract with. We will be pursuing this right away. The company will aid us in analyzing the proposals and selection of the organization that will build the new facility. Vice President Pancella asked that Kevin Snover, Counsel to the Board, authorize President Nolan to retain an advisor under professional services. The proposed assignment is for the advisors to be at our side as an aid in all decisions with regards to the VLT project. Mr. Snover will propose a resolution to allow Suffolk OTB to retain advisors in this matter. President Nolan stated that their professional fee should not exceed twenty-five thousand a month, and we will confirm the organization prior to the next Board meeting.

Chairman Feeney noted that the next meeting of the Board of Directors will be held Thursday, October 24, 2013 at 10 a.m.

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