

A Meeting of the Board of Directors of the Suffolk Regional Off-Track Betting Corporation was held on May 29, 2014 at 10 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
Kevin Snover	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
Kim Edelstein	Director of Wagering Operations and Customer Service
John Luquer	Executive Director Corporate Facilities

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 APRIL 24, 2014

Chairman Feeney stated that the first item on the Agenda was to approve the Minutes of the Board of Directors' Meeting of April 24, 2014 whereupon a motion that those minutes be approved was made by Vice Chairman Hemendinger, seconded by Secretary Wynn and carried unanimously.

ITEM #2 APRIL HANDLE REPORT

Comptroller Gazes reported the analysis of the April 2014 Handle Report of the month of April was down \$910,598 or 10.6% from April 2013. This decrease is partially due to the fact that Palm Sunday and Easter fell in March 2013 and April 2014, so we had two fewer Sundays in April this year, which accounts for approximately \$700,000 or 8.1% of the 10.6% decrease for the month. Year to date handle through April 2014 was down \$ 2,343,311 or 6.9% from the same period in 2013. April handle was up as compared to projected handle by \$168,134 or 2.2%, mainly because the Sunrise branch was originally projected to close in early March. Year to date handle through April was also up as compared to projected handle by \$161,590 or 0.5% for the same reason.

The total number of QWIKbetz Franchise Operations as of April 30th was thirty locations, not including the Jon Thomas Inne. One new QWIKbetz location opened in April is Double R Sports Bar in Islip Terrace, had a “soft” open on 4/8/2014, and their Grand Opening was 4/11/2014. Two more locations have been approved by the Gaming Commission, 50% off Card land and 50 Yard Line Sports Bar. Total QWIKbetz handle was up \$89,456 or 10.4% for the month, in spite of the loss of two racing Sundays, the loss of \$93,449 or 100% at Jon Thomas Inne as a result of a fire related closure on December 14, 2013 and a decrease of \$155,497 or 70.8% at Jimmy’s Pub as a result of the death of one large bettor, Jim Booth, he passed away in November 2013. Total QWIKbetz handle was up \$56,111 or 1.8% year to date. Bidy Spratt’s in particular is doing extremely well.

Internet wagering was up \$58,093 or 9.4% for the month, and \$443,821 or 17.7% year to date. Telephone wagering was down \$128,299 or 16.4% for the month, and \$314,716 or

10.5% year to date. The Racing Forum's handle was down \$271,459 or 10.9% for the month, and 524,151 or 5.6% year to date. The six regular branch locations' total handle was down \$658,388 or 17.2% for the month, with Centereach having both the largest dollar decrease of \$287,952 and the largest percentage decrease of 33.1%. Route 110 was up \$28,623 or 9.5%.

The six regular branch locations' total handle was down approximately \$2 million or 12.6% year to date, with Centereach having the largest dollar decrease of \$528,115 or 16.0%, and Commack having the largest percent decrease of \$369,768 or 18.3%. QWIKbetz handle increased from 10.0% of total handle for April 2013 to 12.4% for April 2014. Internet wagering increased from 7.2% of total handle for April 2013 to 8.8% for April 2014.

Telephone Wagering decreased from 9.1% of total handle for April 2013 to 8.5% for April 2014. The Racing Forum handle represented 29.0% of total handle for both April 2013 and April 2014. Our regular branch handle decreased from 44.6% of total handle for April 2013 to 41.3% for April 2014. Year to date, QWIKbetz handle increased from 9.2% of total handle in 2013 to 10.1% in 2014. Year to date, Internet wagering increased from 7.4% of total handle in 2013 to 9.4% in 2014. The year to date telephone wagering decreased from 8.8% of total handle in 2013 to 8.5% in 2014. Year to date Racing Forum increased from 27.7% of total handle in 2013 to 28.1% in 2014 and the year to date regular branch decreased from 46.8% of total handle in 2013 to 43.9% in 2014.

Aqueduct handle was up \$150,107 or 13.7%, with three more race days of 18 versus 15. The average handle per day decreased \$16,435 or 11.1%. Belmont did not run in April this year; they ran three days in April 2013. If you combine the two, the combined decrease was \$402,857 or 14.5%. Finger Lakes handle was down \$21,691 or 23.6% with the same number of racing days as last year, six. In-state harness handle was down \$72,003 or 13.8%.

Monticello's handle was down \$24,226 or 13.9%, with the same number of race days at eighteen. Saratoga Harness handle decreased \$4,602 or 8.4% with the same number of race days at seventeen. Vernon was the only track in this category with an increase of \$1,055 or 36.0% with the same number or race days at six. Yonkers handle was down \$34,018 or 13.1%, with 1 less racing day of 21 vs. 22. The average per day for Yonkers decreased \$1,056 or 8.9%. Although total out of state thoroughbred handle was down \$330,943 or 7.8%, several tracks did show increases, mainly due to timing of their meets. We picked up Atlantic City this year, with \$33,694 of handle, and Thistle Downs is back as well. The largest total dollar increase of \$200,155 or 101.2% was at Gulfstream, with ten racing days versus three last year. However, their daily average decreased 39.6%, from \$65,931 in April 2013 to \$39,795 in April 2014. Hollywood is gone and Indiana didn't run in April this year. The largest dollar decrease was for Keeneland, \$197,131 or 18.0%. The largest percentage decrease of 77.1% was Fairmount, due to only one racing day against nine last April.

Out of state harness handle was down \$83,103 or 8.5%. Harrah's Philadelphia, Chester Downs, had the largest total dollar decrease, at \$27,662 or 29.3%. Their daily average also decreased 24.6%. Western Fair had a large decrease, \$27,215 or 48.3%, with the same number of racing days of eighteen 18. However, there were several increases, most notably the Meadows, with a total increase of \$30,199 or 32.8% and an increase in the daily average of \$2,607 or 62.3%.

Statewide OTB Handle decreased \$6.6 million or 12.4% for the month. Every region had a decrease, with the smallest being Western at 4.97% and the largest being Nassau at 15.67%. We had the 2nd smallest percentage decrease and the third smallest dollar decrease. Overall statewide year to date OTB handle decreased \$21.7 million or 10.2%. Year to Date

handle through April decreased in every region, from a low of 6.9% for Suffolk to a high of 15.0% for Catskill Region. We had the smallest decrease year to date in both dollars and percentage.

As of Tuesday, May 27th May the month to date handle is down \$553,204 or 4.95% from last year.

ITEM #4 PRESIDENT'S REPORT

President Nolan congratulated Chairman Dominick Feeney on his induction to the New York State Senate Veterans Hall of Fame. President Nolan noted Chairman Feeney's impressive achievements while serving our Nation.

President Nolan reported that we have formally submitted our Plan of Adjustment to the Bankruptcy Court with our intentions with various options. Our preferred option is to have the refinance with Gates Capitol Corporation. We executed the agreement with Gates for \$95,000,000.00 million. Mr. Nolan thanked the Board for attending a special meeting with regards to the Gates agreement that changed the approval of the Board from 90 to 95 million dollars. Gates Capital has been enthusiastically presenting the deal to several banks already and they are very optimistic that they will be able to deliver the Bond at an excellent rate. President Nolan feels that this is the best road for us; we will get out of bankruptcy, get the operating capital we need in the short term and be able to build the building as quickly as possible. Additionally, a concept we have been exploring is selling our headquarters building for a healthy number, which we have active interest in at this moment, with intention to relocate to the new building requiring approximately 5-7 thousand square feet. We have discussed this

with Delaware North and we feel that if we control the money we would have a better opportunity to relocate.

Option two and three are as follows: Go back to our current Delaware North agreement and have them finance/build the new location. This option guarantees the County significant money. The last option would be to borrow money from another equity firm to satisfy our creditors and be out of bankruptcy alongside our current Delaware North agreement. President Nolan stated that this is not the best option for us but will see how the numbers look. These are the intentions or options that we have submitted to the Bankruptcy Court.

President Nolan stated we have closed the deal with Gates Corporation and we are actively looking to sell our headquarters building. We are doing everything we can operationally to survive and downsize our organization and make it more effective going forward. One we have the VLT money coming in we will be in good shape. The traditional OTB model continues to lose money and we continue working to close the gap, toward profitability.

ITEM #5 VICE PRESIDENT'S REPORT

Vice President Pancella reported that SROTB is out performing most of the other regions if not all of them at this point. While we are actively cutting our expenses for example cutting the nighttime hours at our Commack and Route 110 branches and made them daytime branches only. Mr. Pancella foresees that when the Sunrise Branch closes the day after Belmont, we will have a big expense cut. We are expected to retain most of the handle necessary to offset the closing of Sunrise. It is not only that we are out performing the other regions we are cutting our expenses substantially.

Vice President Pancella explained to the Board that regularly a week before every Kentucky Derby Race Day the track CDI (Churchill Downs) contacts us to renegotiate rates for the race day. We initiated a meeting last Friday with all the other New York State racing entities, including NYRA to discuss a plan going forward for all organizations to come together and form a group that can stand together against the predatory rates the track puts on all of us. Many strategies were discussed and considered for the future, most predominantly is the conclusion that we will have to get the State level to get involved and act in unison to improve our negotiating position.

Vice President Pancella reported that our internet handle is doing better, however we are not where we need to be on that front. He can see that increasing as we go forward and have the funds to properly market the site.

Counsel McManmon asked that the Board consider going into Executive Session to discuss the Bankruptcy. 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 and litigation matters were discussed. No motions were made and no votes were taken.

Chairman Feeney noted that the next meeting of the Board of Directors will be held Thursday June 26, 2014 at 10 am.

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