

A Meeting of the Board of Directors of the Suffolk Regional Off-Track Betting Corporation was held on July 24, 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
Paulette L. Moses	Corresponding Secretary to the Board

Also Present:

Victor Salamone	Chief of Staff
Lorraine Pappas	Deputy Chief of Staff
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 June 26, 2014

Chairman Feeney stated that the first item on the Agenda was to approve the Minutes of the Board of Directors' Meeting of June 26, 2014 whereupon a motion that those minutes be approved was made by Vice Chairman Hemendinger, seconded by Secretary Wynn and carried unanimously.

ITEM #2 JUNE 2014 HANDLE REPORT

Comptroller Gazes reported the analysis of the June 2014 handle was down \$381,577 or 3.8% from June 2013. The year to date handle through June 2014 was down \$ 2,754,969 or 4.9% from the same period in 2013. June handle was up as compared to projected handle by \$860,354 or 9.7%. Year to date handle through June was also up as compared to projected handle by \$ 2,490,693 or 4.9%.

The total number of QWIKBetz Operations as of June 30th was 32, not including the Jon Thomas Inne. Two more new QWIKBetz locations opened in July; 50% off Card Land in Bohemia, and 50 Yard Line Sports Bar in West Babylon. We are waiting on approval from the Gaming Commission for Harbor Crab in Patchogue. Due to so many new locations, total QWIKBetz handle was up \$269,544 or 30.1% for the month, in spite of the loss of \$64,243 from the Jon Thomas Inne. Bapa Cards & Gifts, Southampton Publick House, Dunton Inn, and CB's all did exceptionally well. The total QWIKBetz handle was up \$ 364,009 or 6.8% year to date. Bapa Cards and Gifts have done exceptionally well, as has Bidy Spratt's, which seems to have picked up where Jon Thomas Inne left off. Internet wagering was up \$ 93,899 or 11.0% for the month, and \$ 688,742 or 15.9% year to date.

Telephone wagering was down \$ 42,888 or 4.9% for the month, and down \$292,086 or 6.0% year to date. The Racing Forum's handle was down \$ 91,323 or 3.1% for the month, and is down \$445,561 or 2.8% year to date. The six regular branch locations' total handle was down \$610,809 or 13.4% for the month, with Sunrise having closed right after the Belmont

Stakes. Commack and Route 110 branches both began staying open at night at that point, and as a result they are both up for the month. Commack was up \$136,881 or 26.5%, and Route 110 was up \$ 167,859 or 45.1% The six regular branch locations' total handle was down approximately 3.0 million or 11.9% year to date. Sunrise's closing caused it to have the largest decrease (\$1,350,958 or 21.9%).

QWIKBetz handle increased from 8.9% of total handle for June 2013 to 12.0% for June 2014. Internet wagering increased from 8.4% of total handle for June 2013 to 9.7% for June 2014. Telephone Wagering decreased slightly from 8.7% of total handle for June 2013 to 8.6% for June 2014. The Racing Forum handle increased from 28.9% of total handle for June 2013 to 29.1% for June 2014. Regular branch handle decreased from 45.0% of total handle for June 2013 to 40.5% for June 2014. Year to date, QWIKBetz handle increased from 9.6% of total handle for June 2013 to 10.8% for June 2014. The year to date, Internet wagering increased from 7.7% of total handle for June 2013 to 9.4% for June 2014. The year to date telephone wagering decreased from 8.8% of total handle in 2013 to 8.7% in 2014. Year to date Racing Forum increased from 27.9% of total handle in 2013 to 28.5% in 2014. Year to date Regular branch decreased from 46.1% of total handle in 2013 to 42.7% in 2014.

We did phenomenally well on Belmont Stakes day this year. The handle for just that race increased from \$1,036,629 last year to \$1,494,754 this year, an increase of \$458,125 or 44.2%. The total handle for that day actually beat Derby Day; we believe this is due to the possibility of California Chrome winning the Triple Crown. The regular Belmont handle was down \$206,191 or 5.6%, with the same number of race days. The average handle per day

decreased \$9,819. Finger Lakes handle was down \$47,971 or 14.8% with the same number of racing days as last year. In-state harness handle was down \$50,015 or 13.1%. Monticello's handle was down \$39,157 or 23.9%, despite two more race days than last year. Their average handle per day decreased \$3,315 or 32.3%. Yonkers handle was basically flat, they increased \$891 or 0.7% with the same number of race days at 13. Tioga's handle increased \$5,611 or 117% with the same amount of race days as last year at 14. Saratoga Harness' handle was down \$10,631 or 19.7%, with one less race day 17 versus 18.

Total out of state thoroughbred handle was down \$465,424 or 12.4%. Gulfstream ran 13 days vs. 1 last year, creating an increase of \$272,462, and Santa Anita did \$392,709 with 17 racing days this year which they did not have last year. This compensated for the loss of \$373,899 from Hollywood Park, which closed down. CDI tracks' (Calder, Arlington, Churchill, Canterbury, Hoosier) combined handle was down \$372,494 or 150 %. Out of state harness handle was down \$70,101 or 7.7%. Meadowlands had the largest total dollar decrease, at \$37,161 or 22.7%. Their daily average also decreased 13.0%. Harrah's also had a large decrease, \$27,023 or 27.7%, with the same number of racing days. However, there were several increases, most notably Mohawk and Northfield Park, with a total increase of 26,469 or 17.9% and \$24,251 or 25.6% respectively. Northfield's daily average also increased \$1,078 or 18.2%.

Statewide OTB Handle decreased \$1,643,698 or 2.8% for the month. Every region had a decrease, except for Capital, which had an increase of \$300,036 or 2.4%. The smallest percentage decrease was Western at 1.5% and the largest was Catskill at 5.9%. We had the

2nd smallest decrease of \$381,577 and 3.8%, in spite of the closing of the Sunrise branch. Overall statewide year to date OTB handle is down approximately \$25.6 million or 7.5%. Year to Date handle through June decreased in every region, from a low of 4.9% for Suffolk to a high of 11.2% for the Catskill Region. We still have the smallest year to date decrease in both dollars and percentage.

As of Wednesday, July 23rd, handle is down \$91,760 or 1.43% from last year, despite the closing of the Sunrise branch. Part of this is timing; we will probably be down around 4-5% by the end of the month. This is right in line with our year to date decrease, which means we have retained virtually the entire handle from Sunrise

ITEM #3 PRESIDENT'S REPORT

President Nolan asked Counsel McManmon to update the Board on the bankruptcy court hearing that he attended yesterday July 23, 2014. Counsel McManmon reported that our attorneys gave Judge Craig the monthly status report on the progress of our reorganization, and told her that we have a VLT site selected; however we are not permitted to divulge the location at this time. The court was also informed that we are underway with surveyors, environmental engineers inspecting the property, making sure there are no environmental problems on the site. We have architects working on plans for the site and we are moving ahead full steam. Judge Craig was satisfied with our progress in our reorganization so far. We will be back in court with another status report on September 3, 2014.

Counsel McManmon reported that the other issue presented at court was to get approval for our MIB Loan (Municipality in Bankruptcy). We have been in negotiations with our regular bank, New York Commercial Bank, for a two million dollar loan to carry us through with operating expenses. Counsel McManmon explained to the Board that New York Commercial Bank agreed to the loan but that the conditions put on us were so onerous that Delaware North Company, as a necessary participant in the negotiations, has offered to step in to provide us with financing. Counsel McManmon stated that we received court approval for New York Commercial Bank loan for two million dollars a month ago, this time we went back to get approval for the Delaware North Company to provide us financing. The court has agreed to our request. Right now we expect to receive loans totaling ten million dollars; two million dollars is to be used to carry us through with operating expenses, the other eight million is to fund the preliminary work for the construction and development of the casino property.

Counsel McManmon proposed to the Board to consider a Resolution authorizing the corporation to make the ten million dollar loans from Delaware North Company and to authorize President Nolan and Vice President Pancella to execute the necessary documents required. This resolution is part of the documentation required for the loan to take effect. We expect ten days to two weeks to gather all the documents to close the loan. The basis to this loan is a second mortgage on all of our properties, therefore it is time consuming to collect and submit the paperwork required.

A motion was made by Vice Chairman Hemendinger to approve the Resolution for Suffolk Regional Off-Track Betting Corporation and DNC Gaming Management in Suffolk, LLC

to agree on the terms of loans in the maximum principle amount of ten million dollars, the motion was seconded by Secretary Wynn and carried unanimously.

Vice Chairman Hemendinger asked if we are out of bankruptcy yet to which Counsel McManmon responded, no that were are not and explained that “out of bankruptcy” will be a plan of debt adjustment approved by the court. He further explained that this would not mean all of our debt will be paid, that will take several years but we will have a plan approved by the court. Therefore, we will not have to appear in court for every issue, he anticipates this plan will be in place by this October.

President Nolan stated that it is important for us to realize that Delaware North’s reputation and their presence in all of our current negotiations has been essential to us as a partner. President Nolan said that another matter to mention is that we continue to move on the sale of the headquarters building. We have had several possible offers that get complicated with projecting how long we will have to relocate our operation. He anticipates this will be settled very soon.

President Nolan reported that he, Vice President Pancella, Delaware North representatives, architects, and the builders attended a meeting with the officials from the town in which we expect the VLT facility to be located in. The supervisor and staff of that town have been extremely cooperative and helpful in moving us forward, as was initially promised and they are true to their word. President Nolan and Vice President Pancella both agreed that this

is very positive direction for us and shows Delaware North that we have the support of the local government host.

Chairman Feeney noted that the next meeting of the Board of Directors will be held Friday August 22, 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