

A Meeting of the Board of Directors of the Suffolk Regional Off-Track Betting Corporation was held on September 25, 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, Esq.	Counsel to the Board of Directors (Conference Call)
Paulette L. Moses	Corresponding Secretary to the Board

Also Present:

Thomas Kilmartin	Budget Director
Victor Salamone	Chief of Staff
Lorraine Pappas	Deputy Chief of Staff
John Luquer	Executive Director Corporate Facilities
Kim Edelstein	Director of Wagering and Operating Services
Cathy Rice	Teamsters Local 237 Representative
Sue Baschuk	Teamsters 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 AUGUST 22, 2014**

Chairman Feeney stated that the first item on the Agenda was to approve the Minutes of the Board of Directors' Meeting of August 22, 2014 whereupon a motion that those minutes be approved was made by Vice Chairman Hemendinger, seconded by Secretary Wynn and carried unanimously.

**ITEM #2      AUGUST 2014 HANDLE REPORT**

Comptroller Gazes reported the analysis of the August 2014 handle for the month of August was down \$ 454,228 or 4.2% from August 2013. Year to date handle through August 2014 was down \$ 3,567,041 or 4.7% from the same period in 2013. August handle was up as compared to projected handle by \$863,234 or 9.1%. The year to date handle through August was also up as compared to projected handle by \$ 4,163,275 or 6.1%. The total number of QWIKBetz (Franchise) Operations as of August 31<sup>st</sup> was 33, not including the Jon Thomas Inne. We are waiting on approval from the Gaming Commission for Diamond Club in Ronkonkoma. Harbor Crab in Patchogue withdrew their application due to liquor licensing issues. They may reapply in the future. Due to so many new locations, total QWIKBetz handle was up \$239,808 or 27.9% for the month. Bapa Cards & Gifts, and Bidy Spratts did exceptionally well. The total QWIKBetz handle was up \$ 787,166 or 11.4% year to date. Bidy Spratt's has made up for the loss of the Jon Thomas Inne. Internet wagering was up \$173,020 or 20.9% for the month, and also up \$ 576,997 or 9.8% year to date. Telephone wagering was down \$ 5,687 or 0.5% for the month, and up \$109,807 or 1.6% year to date. The Racing Forum's handle was down \$ 98,472 or 2.9% for the month, and is down \$380,871 or 1.8% year to date. The six regular branch locations' total handle was down \$762,896 or 16.3% for the month which is 3% less than last month. Commack and Route 110 both are absorbing the Sunrise branch closing, and as a result they are both up for the month. Commack was up \$202,835 or 36.1%, and Route 110 was up \$ 240,315 or 58.8%. The six regular branch locations' total handle was down approximately \$4.6

million or 13.4% year to date. Sunrise's closing caused it to have the largest decrease of \$3,481,799 or 41.9%. QWIKBetz handle increased from 8.0% of total handle for August 2013 to 10.6% for August 2014. Internet wagering increased from 7.7% of total handle for August 2013 to 10.4% for August 2014. Telephone Wagering decreased from 10.0% of total handle for August 2013 to 9.7% for August 2014. The Racing Forum handle increased slightly from 31.1% of total handle for August 2013 to 31.5% for August 2014. Regular branch handle decreased from 43.3% of total handle for August 2013 to 37.8% for August 2014. Year to date, QWIKBetz handle increased from 9.1% of total handle for August 2013 to 10.6% for August 2014. Year to date, Internet wagering increased from 7.7% of total handle for August 2013 to 9.6% for August 2014. Year to date Telephone wagering decreased from 9.0% of total handle in 2013 to 8.9% in 2014. Year to date Racing Forum increased from 28.6% of total handle in 2013 to 29.5% in 2014. Year to date Regular branch decreased from 45.6% of total handle in 2013 to 41.4% in 2014. Saratoga handle was down \$304,264 or 5.5%, with the same number of race days as last year. The average handle per day decreased \$11,269. Finger Lakes handle was down \$44,920 or 13.5% with one less racing day than last year. In-state harness handle was down \$122,918 or 21.5%. Monticello's handle was down \$80,661 or 41.7%, with one less racing day than last year. Their average handle per day decreased \$4,330 or 38.1%. Yonkers handle was also down they decreased \$36,515 or 12.6% with one less racing day than last year. Tioga's handle increased \$8,060 or 249.8% with one more race days than last year of 14 versus 15. Saratoga Harness' handle decreased \$13,808 or 18.9%, with one less racing day than last year. Total out of state thoroughbred handle was up \$71,089 or 2.0%. The CDI tracks' (Arlington,

Calder, Canterbury, Indiana, Thistledown, Hoosier) combined handle was down \$58,659 or 10.5%. This can be attributed to Calder, which didn't run in August this year. All CDI tracks combined had 7 more race days than last year 95 versus 88. The Monarch tracks' (CA Fair, Delmar, Golden Gate, Gulfstream, Monmouth, Portland Meadows) combined handle was up by \$397,389 or 29.2%. Most of that can be attributed to Gulfstream, which by itself had an increase of \$421,977 or 246.3% with 10 more days than last year 19 versus 9. All tracks combined had 3 more racing days than last year 81 versus 78. Out of state harness handle was down \$53,216 or 6.6%. Meadows had the largest total dollar increase, at \$41,639 or 126.3%. Their daily average also increased 19.8%. Harrah's (Chester) and Harrington had large decreases of \$53,735 or 39.3% and \$26,380 or 60.5% respectively. Statewide OTB Handle decreased \$3,201,760 or 4.6% for the month. Every region had a decrease except Capital with an increase of \$151,471 or 0.8%. The smallest percentage decrease was Western at 3.4% and the largest was Catskill at 9.4%. We had the 2<sup>nd</sup> smallest decrease in both dollars, \$454,228 and percentage of 4.2% in spite of the closing of the Sunrise branch. Overall statewide year to date OTB handle is down approximately \$31.5 million or 6.7%. Year to Date handle through August decreased in every region, from a low of 3.5% for Capital to a high of 10.6% for the Catskill Region. We still have the smallest year to date decrease in dollars of \$3,567,042 and second smallest in percentage of 4.7%. As of Tuesday, September 23<sup>rd</sup>, handle for the month is down \$227,642 or 3.65% from last year, and \$3,870,529 or 4.7% year to date. It would appear that so far, we have retained almost the entire handle from the Sunrise branch.

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

President Nolan reported that the bankruptcy exit plan was submitted to the bankruptcy court on September 10, 2014. We will return to court on October 22, 2014 and hope to have the plan approved on that day. We had issues that occurred in the last week since our appearance in court that we are currently working on and we will have prepared in time for the October court date. President Nolan reported that a meeting was held at our headquarters with Delaware North Companies executives yesterday, where many of the existing issues we have with them were discussed along with newer issues that arose recently. The predominant issue at the meeting was the loan and the various conditions surrounding it. President Nolan feels that the meeting was very positive and that at the end of the day all parties involved believed that we made a lot of progress.

President Nolan further reported that the New York State Comptroller's office came in for a meeting yesterday to notify us that they will be conducting an audit of the New York OTBs. The last audit was in the year 2009; they will be going back over the last five years. President Nolan believes that this could be very important for us because what the Comptroller's office is essentially looking at is why and where are the OTB's losing money, and analyze where the funds are being distributed. He stated that investigative auditing of the formulas and the archaic process that were established back in the year 2001, will show that when the horse racing industry was in dire straits and OTB's were doing well, adjustments had to be made to meet their crisis. The rules

have not been changed from that time to reflect the new realities of the OTB's current revenue status which clearly would show we are all in trouble. President Nolan hopes that the 2014 audit, coming from the Comptroller's office, will be useful and bring to focus the imbalance of the revenue and distribution as it stands now. He is hopeful that changes will be made going forward. Vice President Pancella stated that the Comptroller's 2009 audit made recommendations that were never implemented by the racing industry. Thomas Kilmartin, SROTB Budget Director, added that we here at OTB complied with the recommendations given to the OTBs and that will reflect in the 2014 audit report. Comptroller Gazes gave the examples as in a push of the internet wagering and closing unprofitable branches, and cut all possible expenses, all of which we have achieved here at SROTB. President Nolan concluded that our overall strategy is in line with the Comptroller's recommendations from the 2009 audit recommendations.

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

Vice President Pancella reported that we have accepted, pending contract, an offer on our headquarters building, 5 Davids Drive, Hauppauge, in the amount of 2.5 million. The sale comes to 122.50 per square foot, which is better than the previous offer of 113 per square foot. James McManmon, General Counsel is currently working on the contract and we plan to close in December and relocate by the first of the New Year. Vice President Pancella confirmed that we will relocate our executive offices,

buildings and grounds, print shop along with the phone room to two locations in the Town of Brookhaven.

Counsel McManmon proposed a Resolution to the Board, to allow President/CEO, and Anthony Pancella III, Vice President of Suffolk Off Track Betting Corp., to enter into a real estate contract, to include execution of all necessary documents in the sale of 5 Davids Drive, Hauppauge, New York, in the amount of 2.5 million.

A motion was made by Vice Chairman Hemendinger that the Board approve the Resolution. The motion was seconded by Secretary Wynn and carried out unanimously.

A motion was made by Vice Chairman Hemendinger that the Board goes into Executive Session. The motion was seconded by Secretary Wynn and carried out unanimously.

Upon reconvening in Open Session, Counsel McManmon stated that during Executive Session certain 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, October 23, 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.

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Eddie S. Wynn, Secretary

**RESOLUTION**

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

RESOLVED, to approve the Proposed Contract of Sale, approving Philip C. Nolan and Anthony Pancella III to act as agents in the sale of 5 Davids Drive, Hauppauge in the amount of 2.5 million.

**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 25<sup>th</sup> day of September 2014.

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Eddie S. Wynn, Secretary