

A Meeting of the Board of Directors of the Suffolk Regional Off-Track Betting Corporation was held on September 30, 2010 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
Jeffrey A. Casale	President/CEO
Anthony Pancella	Vice President (Non-officer)
James McManmon	General Counsel
Celine Gazes	Comptroller
Edna Donohue	Corresponding Secretary to the Board

Also Present:

David Needham	Chief of Staff, Director of Executive Administration
Russell Kratoville	Corporate Treasurer
Debbie Pfeiffer	Director of Government and Public Affairs
Kim Edelstein	Director of Wagering Operations and Services
Kevin Snover	Board Counsel
Cathy Rice	Local 237 Teamsters Union Representative
William Shilling	Liaison to Suffolk County Legislature

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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 MEETINGS OF AUGUST 26, 2010**

Chairman Feeney stated that the first item on the Agenda was to approve the Minutes of the Board of Directors' Meeting of August 26, 2010. Vice Chairman Hemendinger made a motion that the August 26, 2010 Minutes be approved, seconded by Secretary Wynn and passed unanimously.

**ITEM #2      AUGUST HANDLE REPORT**

Corporate Treasurer Russell Kratoville stated that net handle for the month of August was down 9.4% as compared to August 2009 and approximately \$1.4 million below budget.

Page 2 is an analysis of branch handle. Qwik-Bet locations are up over 13% for August and 38% year-to-date. Having had several discussions with Victor Salamone and Kevin O’Leary from the New Business Development team, he expressed optimism that this trend will continue. It is an avenue that has been successful and continues to be so. They advised that fluctuations are often due to change in bartenders or regular customers. We should look at it overall and not just micromanage month-to-month. One of the things they point to is the John-Thomas Inn and their excellent business model and how they present the product and blend it into their business model. That same thing applies to Tommy’s 1 and 2. As a result, what they are trying to do is promote that same type of image and business model to Qwik-Bets all around the County.

The trend of the traditional branches remains at a steady decline although the Forum has remained strong. That also is the case statewide as indicated by calls made to the other regions where their traditional brick-and-mortar branches are on the identical trend as Suffolk. Our west end branches seem to be down more but we seem to be in line with the rest of the State. Wagering at Airport, Commack and Shirley indicates that the handle from the closed branches has been retained and further proof of a wise business decision. In addition, the rewards program has proven to be of significant assistance both

to the revenue and expense savings for Suffolk. As an example, through August of 2009, approximately \$180,000 was paid in “perks” to the big bettors compared to approximately \$17,000 this year. It is estimated that nearly 90% of the money given as rewards has been re-wagered which again was a good decision. Suffolk still lags in internet wagering as compared to the other OTBs but that is being given a priority and plans are underway for promotions on both statewide and local levels.

Page 3 does demonstrate a trend that was discussed previously wherein the branches are only 55.5% of the total yearly handle. That is why review is being made to determine the optimum number of branches that are needed.

Page 5 is a summary of handle by track. Despite only one less racing day than in 2009 and better weather, NYRA handle is down approximately \$750,000 which is higher than it should be for one race day perhaps due to smaller fields. The industry is looking at Monmouth Park as a model of what may be in the future; less racing days but better quality racing in the way of larger fields and purses. Track selection will be a priority for the Corporation’s officers in the future. A committee has been formed to consider among other things profitability and our bettors’ winnings which impacts the Corporation’s revenue.

Page 6 is a comparison of Suffolk’s handle to the other state regional OTBs. The numbers indicate that Suffolk had a slightly larger decline for the month of August. He stated that Capital’s number was due to the location of the Saratoga Race Track in that area. Suffolk is pretty much in line with the Downstate region.

Through September 28<sup>th</sup>, Suffolk was down about 8.4% which seems to be the common decline. As mentioned previously, there are things that will be done to look for

other revenue streams. For the month of August, Suffolk turned over \$160,000 to Suffolk County in surcharge and about \$400,000 to our in-state regional tracks for races run out-of-state.

Vice Chairman Hemendinger inquired as to what action is being taken with respect to the internet. President Casale advised that handle from the internet will be between \$5-6 million for the year. Internet wagering is clearly something the Corporation wants and will pursue. Ideas for promotions are being considered. The internet wagering is helping with the Phone Room as it alleviates some of the pressure on the operators and allows them to take more calls and eliminating customers being locked out.

Vice Chairman Hemendinger inquired if there had been any marketing on the internet to which President Casale answered no but that plans for internet advertising are underway.

**ITEM #3      MISCELLANEOUS**

i.            President Casale announced that the legislature in Albany has been inactive due to the upcoming November elections. Nevertheless, President Casale has had discussions with the Presidents of both Catskill and Capital regions and a conference call was had with the harness and thoroughbred breeders groups set up by Wilson Elser. First time there had been a joint discussion and it appears there is a lot of misinformation about the OTBs and their agenda. Everyone was in agreement as to the non-existent out-of-state ADW regulation which results in no payments to the breeders funds in New York. It is of great concern since the OTBs cannot compete with them and they are not

required to pay any taxes or regulatory fees. President Casale feels it is the primary reason for the decline in handle in the State.

It is the general impression in Albany that New York City has made tremendous cuts and therefore so should the other regions while in fact New York City OTB did not make cuts until after the bankruptcy! All in all the discussion with the breeders was a good first step and also they have signed on with Wilson Elser as their lobbyists.

**ii.** There has been nothing but rumors coming out of New York City. Overheard is that they have struck an agreement with the Union which eliminates jobs and their internet and account wagering business going to a conglomeration of Yonkers and NYRA. Will that mean that the other regional OTBs are next? President Casale will vigorously oppose any action in that regard. In addition to a transfer of their internet and account wagering, New York City will get relief from the statutory payments it owes. This bailout will be strongly opposed by the other regions. The message is clear that it pays to fail so he encourages everyone to speak to their state delegation members to oppose such a plan.

**iii.** Due to the recent retirements, staff members have taken on new responsibilities. Chairman Feeney was briefed on those changes last week. Russell Kratoville has been designated Treasurer of the Corporation and his new role now is to operationally get things done. Celine Gazes remains as Comptroller and she will head up internal and branch audits as well as procedural reviews, external reports and General Ledger. She will also be looking into track profitability with the goal of determining what tracks give Suffolk OTB the best return. A committee has been formed and its first meeting is Monday, October 4<sup>th</sup>. Kim Edelstein is the new Director of Wagering

Operations. She brings many years of experience on the branch level as well as headquarters. David Needham is not only Chief of Staff but also Director of Executive Administration which includes HR functions. James McManmon now serves as General Counsel. The focus now will be on raising revenue as much time has already been spent on cutting expenses and there is not much left to cut.

President Casale agrees with Russ Kratoville's assessment of the decline in handle of the downstate regional OTBs. Unfortunately, he also does not see any statutory changes being made which is the real source of the decline. While money is extremely scarce, it is hoped that a small amount can be spent towards promotions and advertising especially with the internet. He has ongoing discussions with Capital OTB as to maybe working together on some positive programs and projects to increase business. In addition, President Casale plans on speaking to all the racing entities that utilize Scientific Games about having reciprocal services for customers so that a customer could be traveling throughout the State and use just one card to place wagers with the home entity receiving part of the credit for the bet. He also thinks that it could be done if an entity has a different tote system. Vice Chairman Hemendinger commented that he is pleased with the Corporations's reorganization and happy that the Corporation will pursue innovative ways to increase the business.

Chief of Staff/Director of Executive Administration David Needham added that Debbie Pfeiffer has been working very hard to develop a Facebook page for the Corporation which is similar to what the other regions have done. Also the web site will be revamped somewhat. The target group is the 50 and over group who utilize the social

networking sites. Another good aspect is the ability to educate and steer potential customers to an interesting YouTube item.

President Casale announced that in conjunction with other items discussed with Capital OTB, internet TV seems to be a feasible project utilizing Capital's TV station. Suffolk OTB would have to obtain the necessary governmental approvals.

iv. Due to the fiscal problems and bankruptcy of New York City OTB, the accounting department has had a few of the vendors request upfront payment of bills. It seems to be an image problem. Efforts are being made to assure our tracks that we are not bankrupt.

Vice Chairman Hemendinger made a motion that the Board go into Executive Session to discuss litigation and personnel matters, seconded by Secretary Wynn and unanimously passed.

After reconvening in open session, Counsel McManmon stated that during the Executive Session certain personnel matters were discussed. Also discussed were matters currently in litigation. No votes were taken.

The next meeting of the Board of Directors will be held on October 28, 2010 at 10:00 a.m. at Corporate Headquarters.

Thereafter, Vice Chairman Hemendinger made a motion to adjourn, which was seconded by Secretary Wynn and unanimously passed.

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Secretary