Property and Equipment
Property and equipment is stated at cost. Maintenance and repairs are expensed as incurred.

Depreciation on property and equipment is provided for on a straight-line basis. Estimated lives used in the calculation of depreciation for consolidated financial statement purposes are as follows:

Buildings and improvements	39 years
Site improvements	15 years
Furniture, fixtures, and equipment	5–10 years

Depreciation expense on property and equipment was $1,481,705 in 2012.

Impairment of Long-Lived Assets
The Company evaluates the carrying value of long-lived assets for recoverability whenever adverse effects or changes in circumstances indicate that the carrying value may not be recoverable. The Company's estimate of value includes other uses of the related long-lived assets in addition to the operation of the horseracing facility. The Company did not record any impairment of its long-lived assets in 2012.

Deferred Financing Costs
Deferred financing costs include financing costs related to the Company's Mortgage Loan. Deferred financing costs are amortized to amortization expense on a straight-line basis, which approximates the effective interest method over the term of the loan agreement. Amortization expense for the year ended December 31, 2012 was $162,112.

Revenue Recognition
The Company records pari-mutuel wagering revenues associated with racing on a daily basis net of the amounts returned to bettors (winnings). Account wagering income is recorded within net pari-mutuel revenue. Pari-mutuel revenues are recognized gross of purses, stakes, and taxes and other state fees. Breakage and the recovery of breakage are recorded within net revenues. Other revenues such as admissions, programs and concessions revenues are recognized once delivery of the product or services has occurred.

Breakage
Included in breakage (i.e., the odd cents by which the amounts payable on each dollar wagered exceeds a multiple of ten cents) are amounts paid to the Running Horse Capital Improvement Trust Fund. These payments are determined by the Massachusetts Legislature, and the funds are under the direction and supervision of the Treasurer of the Commonwealth, who acts as a trustee. Amounts paid to the Running Horse Capital Improvement Trust Fund are expected to be returned to the Company as reimbursement for approved expenditures for capital improvements, as defined. Amounts expected to be returned to the Company from this fund are recorded as a receivable of $168,769 as of December 31, 2012.

State Fees
Included in state fees are amounts paid to the Running Horse Promotional Trust Fund which are expected to be returned to the Company as reimbursement for approved expenditures for promotional and marketing programs, as defined. The recovery of the state fees is recorded in the recovery of breakage and state fees line in the statement of operations. Amounts expected to be returned to the Company from this fund are recorded as a receivable of $28,772 as of December 31, 2012.

Racing License
The Company operates under a racing license from the Commonwealth to conduct thoroughbred horseracing at Suffolk Downs. This license must be renewed on an annual basis following a renewal application, a public hearing, a finding of fact, and the imposition of conditions by the State Gaming Commission. The racing license, which was to expire on December 31, 2012, was renewed on November 14, 2012, and is valid for one year through December 31, 2013. The Company's racing license, amounting to $50,600 as of December 31, 2012, is not subject to amortization.

Income Taxes
No provision for income taxes has been made in the consolidated financial statements of the Company since such taxes are the responsibility of the individual members of the Company.

On January 1, 2007, the Company adopted the authoritative guidance included in Accounting Standards Codification (ASC) 740, Income Taxes, which provides guidance to all enterprises, including pass-through entities, on how entities should recognize, measure, and present in their financial statements uncertain tax positions that have been taken, or are expected to be taken, in a tax return. Pursuant to ASC 740, an entity can recognize a tax benefit only if it is "more likely than not" that a particular tax position will be sustained upon examination or audit. To the extent the "more likely than not" standard has been satisfied, the benefit associated with a tax position is measured as the largest amount that has a greater than 50% likelihood of being realized upon settlement. The Company classifies interest and penalties related to uncertain tax positions, if any, in the consolidated financial statements, and more particularly as a component of general and administrative expenses. The Company remains subject to examination by state jurisdictions for tax years from 2010 to 2012.

Stakes and Purses
The Company has the right to simulcast live races, subject to certain terms and conditions, at facilities within the Commonwealth, and to and from pari-mutuel licensees or other licensed wagering facilities located outside the Commonwealth.

The Company accrues purses payable to the horsemen based on live and simulcast wagering in accordance with the Commonwealth statutory requirements. Due to the seasonality of the business, the accrual of the purse fluctuates. Management of the Company has developed a system of monitoring the fluctuation of the accrual and the payment of purses on a daily basis, and believes that this methodology is satisfactory to the horsemen. At the end of the live racing season in November, the Company has historically reduced the amounts payable to the horsemen to an immaterial amount. During 2012, the Company paid purses totaling $9,362,966.

Pari-mutuel tickets outstanding represent winnings on both live and simulcast wagering that have not been claimed by the ticket holders. Any amounts not claimed are allocated to the horsemen's purse calculation.

Advertising and Promotion
The Company undertakes various advertising and promotion activities. All costs associated with advertising and promotion activities are expensed as incurred. Amounts charged to expense were approximately $901,770 in 2012.

Concentration of Risk

The Company relies on the Amtote International technology and business methods for wagering activities. In addition, 72% of the Company's workforce is covered by union bargaining agreements.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

3. Restatement of 2011 Statement of Operations (Unaudited)

The consolidated financial statements as of and for the year ended December 31, 2011, not presented herein, were audited by other independent auditors whose report dated October 10, 2012 expressed an unqualified opinion on those financial statements. The Company has restated 2011 statement of operations to correct errors of line items net pari-mutuel revenue, other revenue, and expenses to correctly reflect revenue and expense classifications. The Company no longer presents pari-mutuel wagering and patron winnings as separate line items on the statement of operations and presents net pari-mutuel wagering. The following table reflects the impact these adjustments had on the previously reported statement of operations for the period ended December 31, 2011:

	Net Pari-Mutuel Revenue	Other Revenue	Expenses
Year Ended December 31, 2011, as reported	$ 6,068,602	$ 4,245,254	$ 36,745,759
Account wagering income	2,827,672	(2,827,672)	-
Stakes and purses	8,783,389	-	8,783,389
State commission[a]	809,926	-	809,926
Year Ended December 31, 2011, restated	$ 18,489,589	$ 1,417,582	$ 46,339,074

[a] State commissions are included within the 2011 statement of operations line item breakage and state commission.

These corrections had no impact on the net loss reported on the 2011 consolidated statement of operations.

4. Members' Capital

Pursuant to the Second Amended and Restated Limited Liability Company Agreement ("LLC Agreement"), the Company's capital consists of two classes of interests: economic interests and preferred interests. The transfer and sale of the interests is subject to certain restrictions and the rights of members as described within the LLC Agreement. Members of the Company are not liable for the debts and obligations of the Company beyond their capital. The economic interests and preferred interests are considered equity instruments as neither are mandatorily redeemable.

The Company's economic interests and preferred interests have several embedded redemption and conversion features. Several of these features required separate accounting as follows:

	Value at December 31	Change in Fair Value
Subscription Agreement Options (Note 1)	$ 4,300,000	$ 8,100,000
Preferred Interests		
Conversion Option	24,043,100	-
Put and Call Rights	59,660	-
Total members' capital options, at fair value	$ 28,402,760	$ 8,100,000

Voting Rights
Economic interests have voting rights equivalent to the members pro rata economic interests in the Company, as defined in the LLC Agreement.

Liquidation Preference
Preferred interests have a liquidation preference equal to the initial purchase price plus the additional minimum stated rate of return of 5% per annum, accrued and compounded monthly on the initial purchase price less distributions received ("Dividend"). The rate of return may be adjusted upwards in certain circumstances, as defined in the LLC Agreement. The Company accumulates the Dividend through a charge to members' deficit.

Put and Call Rights
New Member has the option under certain circumstances, as defined in the LLC Agreement, to require the Company to purchase its economic interests and preferred interests. The Company has the option under certain circumstances, as defined in the LLC Agreement, to purchase New Member's economic interests and preferred interests.

The put and call rights related to economic interests has not been separated from economic interests as the Company considers put and call rights clearly and closely related to economic interests. The put and call rights remain an embedded feature of the New Member's economic interest.

The put and call rights related to preferred interests have been separated from preferred interests and recorded as a liability on the Company's consolidated balance sheet. The change in fair market value as determined by the Company for each period reported is charged through the statement of operations.

Conversion of Preferred Interests
New Member has the option, at any time, to convert preferred interests held to economic interests at a fixed conversion rate. Accordingly, the Company has separated the embedded conversion feature from preferred interests and recorded a liability on its consolidated balance sheet. The change in fair market value as determined by the Company for each period reported is charged through the statement of operations.

5. Fair Value Measurements

The Company measures the fair value of its assets and liabilities on a recurring basis and nonrecurring basis in accordance with the applicable accounting guidance. The guidance establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities;

Level 2 Observable inputs other than Level 1 prices, such as quoted market prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little of no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments from which the determination of fair value requires significant judgement or estimation.

The fair values of the Subscription Agreement Options, Preferred Interests Put and Call Rights, and the Preferred Interest Conversion Option (collectively "Members' Capital Options") were based on estimates of value determined by the Company with assistance of a third party specialist. The valuation of the Members' Capital Options were performed using forecasts of future net cash flows during the holding period, discounted at the Company's forecasted weighted average cost of capital. In establishing the significant inputs in the expected future cash flow forecasts, the Company utilized external sources from companies with the same business purpose as the projected new business purpose of the Company. The Members' Capital Options are considered Level 3 because of the significance of the unobservable inputs.

The fair value of the Preferred Interest Put and Call Rights and Preferred Interests Conversion Option were performed at the inception of the Preferred Interests at June 20, 2012 and updated as of December 31, 2012. During the period from June 20, 2012 and December 31, 2012, there have been no changes in the fair value.

The fair value of the Subscription Agreement Options was updated at December 31, 2012 and the change in fair value of $8,100,000 was reported through the statement of changes. The change in fair value was primarily caused by the issuance of the preferred interest, as well as decreases in the volatility and term to maturity.

6. Mortgage Loans Payable and Notes Payable

The Company entered into a $47,600,000 Mortgage Loan Payable (the "Loan") on November 29, 2007. In September 2012, the Company amended certain terms of its $47,600,000 Loan including extending its maturity date to January 15, 2015. A one-time facility fee of $238,000 (representing 0.50% on the $47,600,000) was payable at closing. Interest is payable monthly at a rate per annum equal to the Adjusted Libor rate plus 1.5% until November 29, 2012, thereafter 2.25% per annum until January 2, 2014 and 2.5% thereafter. The interest rate associated with the Loan was 2.46% as of December 31, 2012. As of December 31, 2012, the outstanding balance of the Loan was $47,600,000. The Loan is collateralized by the land owned by the Company, and is personally guaranteed by the three main members of the Company. There are no restrictive financial covenants associated with the Loan.

During 2012, a lending company owned by the three majority members loaned the Company $2,800,000 to fund working capital while negotiations were talking place to fund the preferred interest (Note 9). The Company repaid the loan during June 2012 along with interest totaling $16,795.

7. Leases

The Company has entered into noncancelable operating lease agreements for certain equipment. Rental expense for these operating leases amounted to approximately $59,828 in 2012.

Future minimum lease payments required under operating leases at December 31, 2012 are as follows:

2013	$ 56,852
2014	48,997
2015	34,996
2016	19,308
	$ 160,153

8. Related Party Transactions

In 1991, the Company entered into a ten-year contract with a concessionaire to provide food and beverages at the racetrack. Under the contract, the Company shares equally in the concessionaire's operating profits and losses from such services. Pursuant to this agreement, the Company shared losses of approximately $51,191 in 2012. The original contract expired in 2008 and was renegotiated during 2011 currently using the same economic terms as previously in effect.

During 2011, the Company entered into a technical services agreement with one of the members. As part of this agreement, the Company recorded $1,100,000 in expense and had payables of $100,000 outstanding as of December 31, 2012.

9. Retirement Plans

Profit-Sharing and 401(k) Plans
On January 1, 1995, the Company established the Suffolk Downs 401(k) Savings and Retirement Plan, a defined contribution plan covering all nonunion employees who have been employed at least one year. Participating employees may elect to defer up to 15% of their gross earnings. The Company may elect to make an annual discretionary percentage match to be determined prior to the beginning of each plan year. There were no employer matching contributions during 2012.

On March 1, 1996, the Company established the Suffolk Downs IBEW Local 123 401(k) Savings and Retirement Plan, a defined contribution plan covering all union employees who have been employed at least six months. Participating members may elect to defer up to 15% of their gross earnings. The Company may elect to make an annual discretionary percentage match to be determined prior to the beginning of each plan year. There have been no Company contributions since inception. In January 2013, the Company amended its agreement with one of the labor unions whereby the Company will match, at a rate of 50%, an employee's contribution to the 401(k) Savings and Retirement Plan up to a maximum of 2% of the employee's Plan compensation. The agreement expires on December 31, 2014.

Multiemployer Pension Plans

The risks of participating in multiemployer pension plans are different from single-employer plans. Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

The Company participates in multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover certain union represented employees. The Employee Identification Numbers (EIN) are 04-2776873 and 04-60603734 and the three digit plan number (PIN) is 001 for each plan. The Pension Protection Act (PPA) zone status was Green in 2012 for each of the plans. The Company's total contributions to these plans were $273,142 in 2012. These contributions represent less than five percent of the total contributions made to the plans during the past two years. After assessing future required contributions and/or the potential liabilities associated with withdrawing from these plans, the Company has concluded that the plans are not significant.

10. Environmental Liability

During 2008, the Company received an Administrative Order (the Order) from the U.S. Environmental Protection Agency (EPA) to mitigate any discharges into Sales Creek. This Order was issued as a result of the Company's alleged discharges of pollutants into Sales Creek. Under the Order, EPA could fine the Company for any past and future discharges into Sales Creek.

In 2012, the Company entered into a settlement agreement with the EPA and was ordered to pay $1,250,350 in fines. All fines were paid in 2012. In addition, the Company was ordered by the EPA to fund three supplemental environmental improvement projects. The Company accrued $870,950 inclusive of fines for the accrued environmental liability for the year ended December 31, 2012. The accrued environmental liability is not measured on a discounted basis.

11. Subsequent Events

In January 2013, a member elected not to participate in the investigatory process required by the Massachusetts Gaming Commission for the Company to be eligible to apply for a gaming license. The Gaming Commission waived the requirement for this member to undergo such process, provided that it place its interest in the Company in a divestiture trust. On April 9, 2013, the member entered a Trust Agreement pursuant to which the member appointed a Trustee on behalf of this member. Pursuant to the Trust Agreement, the member no longer exercises voting rights in its capacity as a Member or through an appointment to the Board of Managers. The Trustee serves on the Board of Managers and exercises the voting rights previously exercised by the member.

The Company has completed its evaluation of potential subsequent events and is not aware of any such matters, which require adjustment or disclosure in the accompanying financial statements other than as previously discussed. The evaluation was completed through September 26, 2013, the date the accompanying financial statements were available to be issued.

Other Financial Information (Unaudited)

Sterling Suffolk Racecourse, LLC and Subsidiary
Massachusetts State Gaming Commission – Information Required for Purse Account Distributions (Unaudited)
December 31, 2012

Association: Sterling Suffolk Racecourse, LLC

Item

(i)	Actual purses expensed for calendar year 2012	$ 8,768,688
	2012 purses posted per racing programs (horses only)	8,874,600
	Purse account in escrow – (overpaid) underpaid at December 31, 2011	273,557
	Purse account in escrow – (overpaid) underpaid at December 31, 2012	270,026
	Actual purses paid during 2012	9,362,966
(ii)	Number of live performances held in 2012	80
(iii)	Amount of live racing handle, including exports in 2012	$ 75,680,747
(iv)	Total amount of employment, direct and indirect	
	Number of employees who received a Form W-2	200
	Number of compensated persons who received a Form 1099 Misc	514
	Other indirect employment	-
	Concession staff – subcontract	52
	Security staff – subcontract	38
	Maintenance – subcontract	206
	Other/identify	1,043
	Total amount of employment, direct and indirect	2,053
(v)	Total remuneration to employees who received a Form W-2	$ 7,250,475
(vi)	Total entity equity per most recent audited balance sheet	(34,621,942)
(vii)	Taxes and other payments to the Commonwealth (exclude pays to SRC)	
	Massachusetts income tax withheld from employees for 2012	$ 271,659
	Massachusetts sales taxes paid and/or payable for 2012	42,699
	Massachusetts corporate excise tax	-
	Other Massachusetts taxes and fees (specify)	500
	Total taxes on other payments to the Commonwealth	$ 314,858
(viii)	Pari-mutuel tax revenue generated to the Commonwealth	
	State commissions	$ 271,977
	Daily license fee	99,000
	Assessment	441,459
	Occupational licenses	-
	Fines and other	-
	Total pari-mutuel tax revenue generated to the Commonwealth	$ 812,436

Sterling Suffolk Racecourse, LLC and Subsidiary
Massachusetts State Gaming Commission – Information Required for Purse Account Distributions (Unaudited)
December 31, 2012

	WPS	Exotic	Statutory-Contract Purse Amounts
On-site handle and statutory purse amounts			
Live	$ 2,818,722	$ 3,659,355	$ 587,230
Thoroughbred in-state	-	-	-
Harness in-state	26,347	86,043	6,732
Greyhound in-state	-	-	-
Thoroughbred out-of-state	20,163,396	37,419,879	6,927,478
Harness out-of-state	441,769	1,432,151	112,248
Greyhound out-of-state	-	-	-
Total handle and statutory purse amounts	$ 23,450,234	$ 42,597,428	$ 7,633,688

	Paid To	Received From
Premiums paid and received		
Sterling Suffolk Downs	$ -	$ -
Plainville Racing Company	26,649	430,721
Wonderland Greyhound Park	-	-
Raynham-Taunton Dog Track	-	432,269
Three County Fair/Northampton	-	-
Others – Mass Breeders	296,927	-
Total premiums paid and received	$ 323,576	$ 862,990

	Amount Received	Amount Applied to 2012 Purses	Amount Applied to 2011 Purses
Purse distributions received from the Racing Commission			
2010 Out's Received - April 27, 2012	$ 356,764	$ 356,764	$ -
2011 Purse Pool received - December 11, 2012	139,941	139,941	-
	$ 496,705	$ 496,705	$ -

Ex. 24 -- Unaudited Internal Financials -- Most Recent Quarter

CONFIDENTIAL

Sterling Suffolk Racecourse, LLC
Balance Sheet -- June 30, 2013
Unaudited (in 000s)

ASSETS		June 30 2013
Current Assets:		
Cash	$	1,829
Racing Bond Collateral		125
Accounts Receivable		2,150
Prepaid Expenses		310
Total Current Assets		4,414
Property and Equipment		70,288
Accumulated Depreciation		(21,970)
Net Property and Equipment		48,318
Other Assets:		
Deferred Costs		289
Accumulated Amortization		(113)
Net Deferred Costs		176
Racing License		51
Total Other Assets		227
	$	52,959
LIABILITIES & MEMBERS' DEFICIT		
Current Liabilities:		
Accounts Payable	$	9,372
Accrued Liabilities		481
Purses Payable		570
Accrued Purses		3,021
Uncashed Tickets		571
Environmental Reserve		196
Reserves		100
Total Current Liabilities		14,311
Other Liabilities:		
Note Payable Bank of America		47,600
Environmental Reserve		462
ASC Liability Caesars Second Option		2,700
ASC Liability Caesars Third Option		1,600
Preferred Interest Conversion Liability		24,043
Preferred Interest Call Liability		60
Total Other Liabilities		76,465
Preferred Interest		33,214
Preferred Interest Accretion		1,307
Members' Deficit:		(58,737)
Net Loss		(13,601)
Members' Deficit		(37,817)
	$	52,959

Ex. 24 -- Unaudited Internal Financials -- Most Recent Quarter

CONFIDENTIAL

Sterling Suffolk Racecourse, LLC
Income Statement
Year to Date June 30, 2013
Unaudited (in 000s)

	2013
Live Racing Performances	13
Handle - Pari-mutuel wagering	$ 29,528
Winnings, state fees, breakage	(23,887)
	5,641
Simulcast commission revenue	2,616
Host track commission expense	(1,260)
Purse expense	(4,056)
CIF/PTF recovery	192
Net pari-mutuel revenue	3,133
Other revenue:	
Admissions	2
Concessions	(18)
Programs	117
Hub fee	32
Other income	317
Ancillary revenues	450
Net Revenues	3,583
Operating expenses:	
Administrative	1,761
Backstretch	1,287
Building	1,265
Racing	459
Security	880
Mutuels	725
Admissions	218
Marketing & Publicity & Gift Shop	618
Television, Uplink, & Tote	254
Real estate taxes	796
Insurance	522
License & Assessments	269
Government Relations	798
Real Estate Development	-
Compliance	-
Environmental	235
Referendum	380
Restaurant & Hospitality	-
Gaming License	4,251
Permitting	1,408
Technology Service Agreement	100
Total operating expenses	16,226
Loss from operations	$ (12,643)
Rental Revenue	2
Earnings before interest & depr (EBITDA)	(12,641)
Interest - Bank	(590)
Depreciation & Amortization	(855)
NET LOSS before extraordinary items	**$ (14,086)**
Insurance proceeds from abandoned property	485
NET LOSS	**$ (13,601)**

Ex. 24 -- Unaudited Internal Financials -- Most Recent Quarter ***CONFIDENTIAL***

Sterling Suffolk Racecourse, LLC
Statement of Cash Flow
YTD June 30, 2013
Unaudited (in 000s)

Operating Activities:	
Net Loss	$ (13,601)
Depreciation & Amortization	855
(Increases) Decreases in assets:	
Accounts Receivable	(504)
Prepaid Expenses and other assets	(130)
Increases (Decreases) in liabilities:	
Accounts Payable and Accrued Liabilities	5,477
Accrued Purses	2,751
Purses Payable	570
Reserves	6
Uncashed Tickets	(152)
Environmental Reserve	(213)
Cash used in operating activities	(4,941)
Investing Activities:	
Purchases of Property and Equipment	(5,352)
Cash used in investing activities	(5,352)
Financing Activities:	
Proceeds from Preferred Interest	5,137
Proceeds from Member	5,300
Cash provided by financing activities	10,437
Increase in cash	$ 144
Cash at beginning	1,685
Cash at end	$ 1,829

Exhibit 29

REQUEST FOR AUTHORIZATION OF ACCOUNT WAGERING SYSTEM

In accordance with 205 CMR 6.20, Sterling Suffolk Racecourse, LLC ("SSR") respectfully requests approval of XpressBet LLC, TVG, and Twin Spires as Account Wagering vendors for the racing season of 2014. SSR does not operate an account wagering system other than through its vendors.

Suffolk Downs does not currently and does contemplate providing any planned, non-monetary, incentive programs and account security plans, other than any that may be provided by the forgoing vendors.