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REPORT TO THE BOARD

March 12, 2009

CONFIDENTIAL

The Board of Directors
New York State Thoroughbred Breeding
and Development Fund Corporation

Dear Board Members:

We are pleased to have the opportunity to express to you our comments resulting from our audit of the financial statements of the New York State Thoroughbred Breeding and Development Fund Corporation (the Fund) for the year ended December 31, 2008. As a result of our audit we have issued our Independent Auditor's Report thereon dated March 12, 2009. One of our responsibilities as auditors is to present additional information regarding the scope and results of the audit to assist you in overseeing the financial disclosure and reporting process of the Fund. The following offers comments on our involvement with that process and with management as it carries out its responsibilities.

Our Responsibility under U.S. Generally Accepted Auditing Standards and
Government Auditing Standards

Our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. While our audit procedures provide a reasonable basis for our opinion, it does not provide a legal determination on the Fund's compliance with those requirements.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the financial statements and reports of the Fund does not extend beyond the financial information identified in the reports themselves. We do not have an obligation to perform any procedures to corroborate other information contained in these other documents. We are not aware of any documents containing the audited financial statements, which we would be required to review.

Significant Audit Findings

We are responsible for communicating significant matters related to the audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process of the Fund. However, we are not required to design procedures specifically to identify such matters.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Fund are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

For the year ended December 31, 2008, we have evaluated the key factors and assumptions used by management in determining that accounting estimates were reasonable in relation to the financial statements taken as a whole.

Sensitive Disclosures

The disclosures in the financial statements are consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is the Handle Revenue and the Revenue Receivable for the Handle.

Difficulties Encountered in Performing the Audit

No difficulties of significance were encountered during the current year audit. No significant delays were noted in the commencement of the audit or in providing us with required information. Management and accounting personnel were very helpful in assisting us during our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. For the purposes of this report, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Fund's financial reporting process (that is, cause future financial statements to be materially misstated).

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors report. We are pleased to report that no such disagreements arose during the course of the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 12, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Fund's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the Fund's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the New York State Thoroughbred Breeding and Development Fund Corporation Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve as your auditors. We would be pleased to respond to any questions you have about the foregoing or to review any other questions that you might have.

Very truly yours,

TOSKI, SCHAEFER & CO., P.C.