

**NEW YORK STATE THOROUGHBRED BREEDING AND  
DEVELOPMENT FUND CORPORATION  
MINUTES OF THE MEETING OF THE BOARD OF  
DIRECTORS HELD AUGUST 19, 2008**

A meeting of the Board of Directors of the New York State Thoroughbred Breeding and Development Fund Corporation (the "Fund") was held at 10:00 a.m. on August 19, 2008 at the Fund's office in Saratoga Springs, New York.

Present

Harry Snyder	Commissioner, State Racing Commission
John Tesiero	Commissioner, State Racing Commission
John Cansdale	Executive Director, Racing and Wagering Board
Jackie Moody-Czub	Deputy Commissioner, Agriculture and Markets
Ed Kelly	Breeder
Phil Trowbridge	Breeder
Joseph McMahan	Breeder
William Wilmot, DVM	Breeder (via telephone)
Michael McMahan	NYTB President
Howard Nolan	Breeder
Martin Kinsella	Executive Director
William McCabe	Comptroller
Jim Zito	Field Identification Team
Kyle Flaherty	Counsel
Jeff Cannizzo	NYTB Executive Director

Commissioner Snyder called the meeting to order at 10:00 a.m. At the first order of business, Commissioner Snyder announced that there is a new Chairman of the New York State Racing and Wagering Board, John Sabini, and that John Cansdale would be participating in the meeting as Chairman Sabini's proxy. Commissioner Snyder also announced that NYTB had recently hired Jeff Cannizzo as its new Executive Director and welcomed Mr. Cannizzo to the meeting.

As the next order of business, Commissioner Snyder directed that the Board members review the Minutes of the Board's May 2008 meeting. After some discussion, an ambiguity was noted in the first sentence of the third paragraph of page 3 with respect to the reference to NYTB's

contract with the Fund. After some discussion, it was agreed that the word “extended” should be inserted immediately before the word contract in that sentence. With that change, the Minutes were duly approved.

As the next order of business, the Chair directed Martin Kinsella and William McCabe to review the Fund’s Financial Report. Mr. McCabe reviewed the highlights of the Fund’s June 30, 2008 Financial Report, and noted that the Fund’s total revenue through June 2008 was down over \$500,000 from the same period in 2007, but that the Fund’s total awards obligations were \$131,000 greater than from the same period in 2007. Mr. McCabe noted that there has been a big drop in the Fund’s handle revenue from the prior year and significant increases across all of the award categories from 2007 as well. Mr. McCabe also noted that all of the OTBs are down from 2007, which is also causing significant strain on the Fund. Mr. McCabe stated that he is concerned that the Fund’s revenue in 2008 will be insufficient to pay all of its awards and that an increase in the hold back will be necessary. After further discussion and a thorough review of the Fund’s June 2008 Financial Report, the Board unanimously approved the June 2008 Financial Report. A general discussion then ensued concerning “Advance Deposit Wagering” handle revenue and the fact that the Breeding Fund does not participate in that revenue. After an extended discussion on the issue of the Fund’s participation in handle revenue from alternative betting vehicles, the Board proposed, seconded and unanimously approved a motion to seek a meeting with the new Chairman of the Racing and Wagering Board to discuss the Fund’s concerns that alternative betting, under current payment structures, may diminish the Fund’s revenues in future years.

As the next order of business, Commissioner Snyder informed the Board that the Audit Committee met on July 29, 2008 for the purpose of reviewing the income and award levels experienced by the Fund during the first six (6) months of 2008. Commissioner Snyder distributed the Minutes of that Audit Committee meeting and explained that in light of the imbalance between the Fund’s 2008 revenues and its award obligations, the Audit Committee made certain recommendations as reflected in the Minutes, to wit:

- Beginning September 1, 2008 and until further notice, awards will not be paid on 4<sup>th</sup> place purse earnings; and
- Effective September 1, 2008, the automatic 20% reserve will be increased to 30%.

Commissioner Snyder noted that if these recommendations are adopted, the Fund is projected to save over \$650,000 in awards payments through the end of the year. Mr. McMahan suggested that the Board should reflect that these measures are necessary because of the Fund’s success in paying awards at higher levels, while the Fund’s annual revenues have become flat. It was noted that the Fund has no control over its revenues, but that the success of the breeding program has had the effect of driving the awards obligations higher each year. After some further discussion, Joseph McMahan made a motion to adopt the recommendations of the Audit Committee. This motion was duly seconded and unanimously adopted by the Board.

As the next order of business, Commissioner Snyder asked Jim Zito to give the Fund’s advertising report. Mr. Zito noted that in light of the financial pressures on the Fund in 2008, the

advertising budget has been strained. Nonetheless, Mr. Zito noted that the continued focus of the advertising message has been owning and raising New York breds.

Under new and old business, the issue of NYTB's promotional contract with the Fund was discussed. A general discussion ensued about making certain adjustments to the payments required under the NYTB contract, as extended, for the balance of 2008 so as to ensure that the Fund would maintain compliance with its statutorily mandated advertising and promotional cap. After further discussion, the Board directed Mr. Kinsella to meet with representatives from NYTB to discuss the terms of an extended promotional contract.

With no further business pending before the Board, the meeting was adjourned. The next meeting is scheduled for October 30, 2008 at the Fund's office in Saratoga Springs, New York.