

## 2008 Internal Control Review

On January 4, 2008, the New York State Thoroughbred Breeding and Development Fund Corporation responded to a report that was first issued on October 21, 2005. This report identified a number of weaknesses in its internal controls. Based on this report, the Fund management and counsel has reviewed and in some cases changed its policies. On December 10, 2007, the Comptroller's office assessed the implementation of the twenty recommendations made. Of these recommendations, fifteen (regarding controls) were fully implemented, four were partially implemented, and one was not implemented due to the Fund's disagreement with the position of the Comptroller's office. The former and current independent auditor firms hired by the Fund were in agreement with the Fund on the matter.

The above was reviewed by management on March 6, 2009, along with the independent auditor's 2007 report, which indicated no weaknesses in our internal controls.

Report of Real Property  
12/31/08

As of December 31, 2008, the New York State Thoroughbred Breeding and Development Fund has the following:

- 1.) A 2008 Jeep purchased under NYS-OGS contract. Book value: \$19,363.02.
- 2.) Leasehold Improvements to offices at 19 Roosevelt Drive, Saratoga Springs. Improvements agreed upon by the Fund and NYS Department of Parks, which contracted NYS OGS to perform the work. Book value as of December 31: \$51,641.59.

Other than the above, no other property is owned by the Fund that has a value exceeding \$5,000.

## Board Committees

A/O 12/31/08

The Fund has established both a GOVERNANCE committee and an AUDIT committee, both of which were formed in 2007, remain standing, and have served the Board by performing their duties and reporting back to the Board. In addition, special committees that are short-term in nature have been formed for specific purposes.

## New York State Thoroughbred Breeding & Development Fund Corp.

### Credit Card Policy

Employees must document all use of Fund credit cards within thirty days of the charges. These charges must be corroborated and be solely for Fund-related business. The monthly form shall include:

1. Date card was used
2. Description of expense
3. Reason for expense
4. Which card was used (Mobil, Visa, etc.)

Hotel rates must comply with the published NYS hotel-rate list based on geographic region. Any overages or unexplained expenses are considered unauthorized and will be deducted from employee's paycheck.

## New York State Thoroughbred Breeding & Development Fund Corp.

### Prompt Payment Policy

In accordance with the requirements of section 2880 of the Public Authorities Laws, the Fund duly adopted the following resolutions.

RESOLVED that, in accordance with the requirements of Section 2880 (Public Authorities Law), the New York State Thoroughbred Breeding & Development Fund Corporation, a public benefit corporation, hereby approves and adopts the following Prompt Payment Policy guidelines:

- A) The Fund shall pay within a period of thirty days all invoices presented for payment upon ascertaining that the goods were received in acceptable condition and the invoice is in order.
- B) Within a period of five business days, the Fund will notify the vendor if the goods are not acceptable in the condition in which they were received.
- C) Within five (5) business days of invoice receipt, the Fund shall notify the vendor of any discrepancies appearing on same.
- D) If a discrepancy exists, the Fund shall request an adjusted invoice and/or a credit memo. (Payment will not be processed until the vendor submits the adjusted invoice or credit memo.)
- E) If for any unforeseen reason the Fund fails to pay an invoice that is in good order within thirty (30) days of its receipt, the Fund shall pay a reasonable amount of interest, not to exceed 1.5% per month.
- F) The Fund will make any and all interest penalty payments from its administrative budget.

NYS THOROUGHBRED BREEDING & DEVELOPMENT FUND  
CORPORATION

PROMPT PAYMENT POLICY REPORT - SECTION 2880 (11)

AS OF DECEMBER 31, 2008

1. The New York State Thoroughbred Breeding & Development Fund Corporation has two categories of contracts regarding its Prompt Payment Policy.

Category A - All Personal Service contracts that the Fund has entered into, such as those for accounting services, public relations, editorial services, etc. All such contracts are paid within thirty (30) days of the completion of service and presentation of invoice.

2. Interest paid during year by category:

Category A - No interest was due or paid in 2008.

Category B - No interest was due or paid in 2008.

3. Number of interest-chargeable days and total number of process contracts violating our Prompt Payment Policy:

Category A - None

Category B - None

4. Summary of the principal reasons such late payment occurred:

Category A - N/A

Category B - N/A

## New York State Thoroughbred Breeding & Development Fund Corporation

The Fund acts to ensure fair access to minority- and women-owned businesses by offering opportunities to bid on Fund-related contracts. In cases where the value of a contract is less than \$5,000, Fund policy is to select bidders from the Business-to-Business Yellow Pages, as well as from bidders who have previously performed work for the Fund. The randomness of this practice is inherently fair. Although this process does not necessarily ensure that minority- and/or women-owned businesses will obtain a contract, it does ensure that all businesses have an equitable chance of participating in the bidding process.

During 2008, our vendors included the woman-owned businesses Art Solutions and Jocapa Printing. Therefore, we maintain that the Fund's system complies with the random-access component of the bidding procedures.

New York State Thoroughbred Breeding & Development Fund Corp.

Investment Policy

A/O 12/31/08

In 1983, in accordance with the requirements of Chapter 383 of the Law of 1983 (Public Authorities Law), the Fund duly adopted the following resolution.

RESOLVED that, in accordance with requirements of Chapter 838, Section 25 of the Laws of 1983, the New York State Thoroughbred Breeding & Development Fund Corporation, a public benefit corporation, hereby approves and adopts the following investment guidelines:

- A) All funds of the Corporation available for investment shall be deposited in interest-bearing accounts or certificates of deposits with banks in New York State for the shortest possible period and at the highest available interest rate; or in United States Treasury short-term bills or notes at the highest available rate.
- B) There shall be no other form of investment.
- C) Certificates of deposit shall be fully secured.
- D) The independent auditors of the Corporation shall annually review and examine the Corporation's investments, and shall immediately report to the directors of the Corporation any variance from the foregoing requirements.

## Investment Report Notes

As of December 31, 2008, the Fund had no investments. The rate of interest that we are now receiving exceeds both the interest rate on Certificates of Deposit and that of the U.S. Treasury, which are the only types of investments the Fund is allowed to make. As there were no investments, it was not possible to have them audited by an independent CPA firm. In regard to a management letter, since all excess funds are in cash accounts and there are no investments in existence as of 12/31/08, there is no need for a management letter.

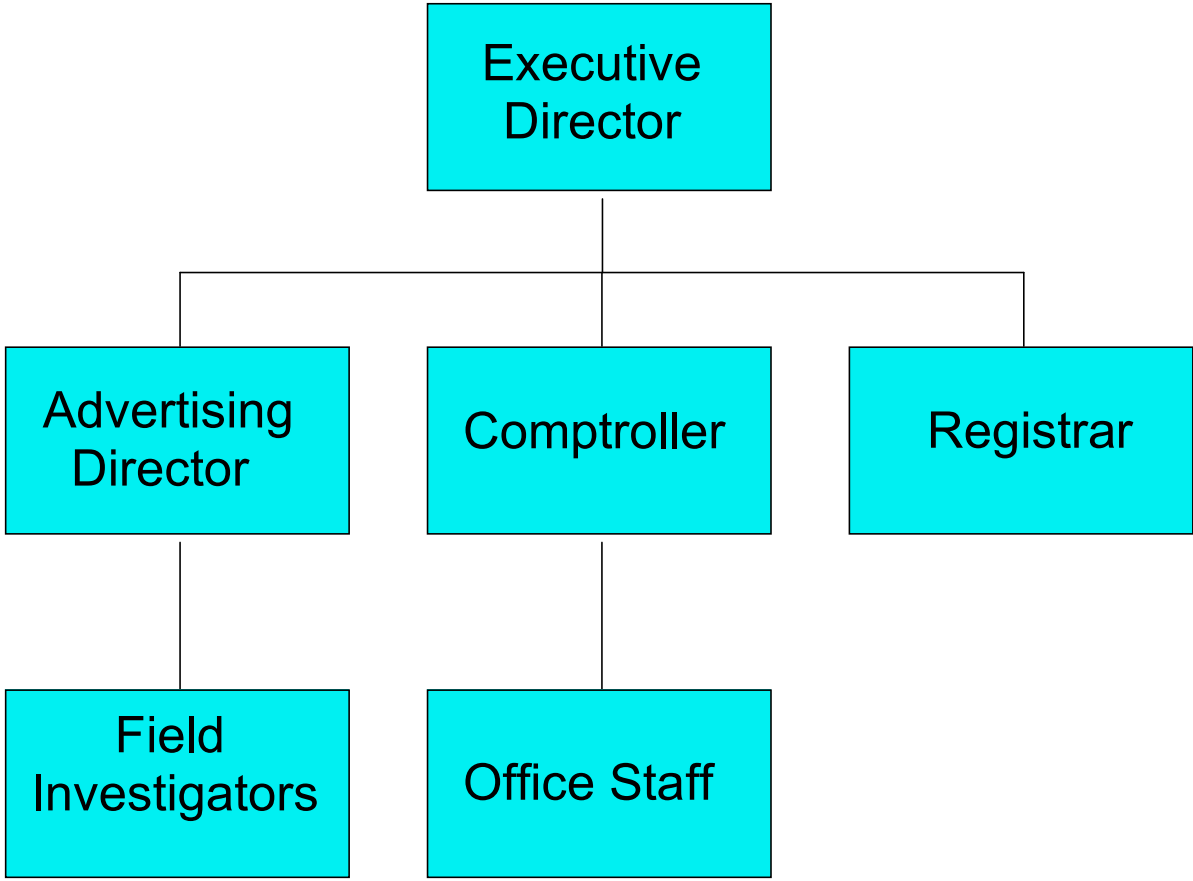
**New York State Thoroughbred Breeding & Development Fund Corporation  
Schedule of Investments as of December 31, 2008**

Description	Current Investments	Terms	Maturity Date	Face	Secured Market Value A/O 12/31/03	Securities Held By
US Treasury Bill NONE						Bank of America, NA 200 N College St. Charlotte, NC 28255
US Treasury Bill Face NONE						Bank of America, NA 200 N College St. Charlotte, NC 28255
	0			<u>0</u>	<u>0</u>	

**Please note that the interest on cash accounts is higher than the Treasury Bill rates.**

**New York State Thoroughbred Breeding & Development  
Fund Corporation**

**Organizational Chart  
A/O 1/1/08**



**New York State Thoroughbred Breeding & Development Fund Corp.**  
**Procurement Contract Guidelines**

In 1986, in accordance with the requirements of Section 2879 of the Public Authority Laws, the Directors duly adopted the following resolution.

RESOLVED that the procurement of goods or services of any kind in the actual or estimated amount of \$5,000.00 or more under any written contract shall be subject to the following guidelines:

The supervision of procurement of goods or services of any kind, including furniture, office equipment, computer services, and any and all other material and support services required by the Fund, shall be the responsibility of the Executive Director. Personal services may be the subject of a contract when the Fund staff is not in a position to provide same.

Contractors shall be selected through competitive bidding from at least three sources, unless the services are available from only one source or there is only one source in the judgment of the directors suitably qualified to perform the services. In awarding contracts, the Fund shall consider the past performance, reputation, and experience of a proposed contractor. Competitive bidding shall not be required for editorial work, for the services of journalists selected to write on matters relating to the breeding of horses, or for outside accounting services unless the directors shall elect to replace the public accounting firm that has previously audited the Fund's accounts.

The award of any procurement contract in excess of \$5,000.00 shall require the approval of the Board.

Any contract involving services to be rendered over a period in excess of one year shall require the approval of the Board and shall be subject to an annual review by the Board.

The Executive Director shall, in connection with each contract submitted to the Board for approval, inform the Board whether the contract is one for which minority- or women-owned business enterprises may best bid.

Procurement contracts shall contain provisions requiring the contractor to report periodically to the Executive Director on the status of work and the costs incurred to date. When possible, Fund staff, space, and supplies shall be used in order to reduce contract costs.

No procurement contracts may be awarded to any former officer or employee of the Fund during a period of five years from his or her separation.

In cases where goods are obtained through an open NYS-OGS contract, the above competitive bidding may be bypassed, as OGS has already completed the bidding process.

**NYS THOROUGHBRED BREEDING & DEVELOPMENT FUND CORPORATION**  
**REPORT OF 2008 PROCUREMENT CONTRACTS**  
**AS OF DECEMBER 31, 2008**

- A.
1. Michael Veitch served as writer and assisted in preparing our annual report.
  2. The contract is on a year-to-year basis.
  3. In 2008, a sum of \$3,500.00 was paid.
  4. As aforementioned, this agreement is on a year-to-year basis.
  5. Please refer to our guidelines on Personal Service Contracts.
- B.
1. Toski, Schaefer & Co., P.C. serves as our Independent Certified Public Accountant. Its duties consist of performing the annual independent audit of our records and investments, as well as advising and instructing the staff regarding any significant changes in regulations and/or reporting procedures.
  2. The agreement with Toski, Schaefer & Co., P.C. was first entered into in 2008 and hasn't been renewed for 2009 by the Fund's audit committee. The agreement is cancellable upon submission of written notice thereof by the Fund.
  3. In 2008, a sum of \$15,900.00 was paid to Toski, Schaefer & Co., P.C. for services rendered.
  4. Estimated at \$15,900.00
  5. Please refer to our guidelines on Personal Service Contracts.
- C.
1. TECH II serves as provider of telephone equipment and computer hardware, and provides support for both the office telephone system and the computer network.
  2. Throughout the year we have used TECH II on a service-call basis at an agreed hourly rate. This service agreement is on a day-to-day basis.
  3. Service calls in 2008 accounted for \$4,486.00, which was the total disbursement in 2008.
  4. Estimated at \$4,000.00
  5. Please refer to our guidelines on Personal Service Contracts.
- D.
1. Logical Net hosts our website and provides statistics regarding daily and monthly visits to the site.
  2. The contract is on a month-to-month basis.
  3. In 2008, a sum of \$580.00 was paid.

4. Estimated at \$650.00
  5. Please refer to our guidelines on Personal Service Contracts.
- E.
1. New York Thoroughbred Breeders, Inc., a thoroughbred breeding organization that the Fund's Board of Directors has recognized as being uniquely positioned to promote and advance the Fund's objectives, provides various additional promotional activities on behalf of the Fund. Throughout 2008, New York Thoroughbred Breeders, Inc. worked on various promotions, including the NY Stallion Stakes, NY Showcase Day, NY-bred Awards Dinner, Saratoga Sales reception, various booths at events, a monthly newsletter, seminars for new owners, and seminars on auction sales.
  2. The contract is cancellable with thirty (30) days' written notice.
  3. In 2008, a total of \$149,211.75 was paid to support various promotional activities.
  4. Estimated at \$155,000.00
  5. Sole Source
- F.
1. Art Solutions maintains, updates, and upgrades our website (nybreds.com).
  2. The contract is on a monthly basis at an agreed-upon monthly rate of \$1,100, and can be canceled with thirty (30) days' written notice. Other firms have been contacted regarding rates, and Art Solutions' rates have proved to be reasonable in comparison.
  3. In 2008, a sum of \$31,865.00 was paid to Art Solutions for services rendered.
  4. Estimated at \$27,500.00
  5. Please refer to our guidelines on Personal Service Contracts.
- G.
1. Bob Coglianesse Photos provides the Fund with photos of New York-breds racing at New York Racing Association tracks.
  2. The agreement is based on a set fee per photo, and is cancellable at any time.
  3. In 2008, a sum of \$3,944.00 was paid to Bob Coglianesse Photos for services rendered.
  4. Estimated at \$3,500.00
  5. Please refer to our guidelines on Personal Service Contracts.
- H.
1. Rab Hagin serves as copywriter for ads, news releases, and articles on our website (nybreds.com).
  2. The contract entered into in July 1999 calls for payment of \$1,000 per month for services rendered. In 2002, the services were increased to provide race coverage on a fill-in basis.

3. In 2008, a sum of \$36,000.00 was paid.
  4. Estimated at \$36,000.00
  5. Please refer to our guidelines on Personal Service Contracts.
- I.
1. Capstone Advertising produces and designs our print advertising. This includes the production of camera-ready film and color separations.
  2. The contract is on an assignment-to-assignment basis.
  3. In 2008, a sum of \$34,886.50 was paid. This sum is broken down as \$1,935.00 for production, and the balance of \$32,951.50 for display ads.
  4. Production charges estimated at \$5,000.00
  5. Please refer to our guidelines on Personal Service Contracts.
- J.
1. Matt Church is an equine writer who covers racing for the Finger Lakes Racing Association. He provides articles for our website (nybreds.com) covering Finger Lakes.
  2. The contract is on a month-to-month basis.
  3. In 2008, a sum of \$3,500.00 was paid, based on a rate of \$25.00 per article.
  4. Estimated at \$3,500.00
  5. Please refer to our guidelines on Personal Service Contracts.
- K.
1. Bloodstock Research (Brisnet) provides data for our website (nybreds.com).
  2. The contract is cancellable with thirty (30) days' notice.
  3. In 2008, a sum of \$8,395.43 was paid.
  4. Estimated at \$6,000.00
  5. Please refer to our guidelines on Personal Service Contracts.
- L.
1. The Jockey Club Information System provides racing results data and program support.
  2. The contract is cancellable with sixty (60) days' notice.
  3. In 2008, a sum of \$29,153.80 was paid. This is based on a fee of \$1,500.00 per month for time-sharing and an additional \$300.00 per month for data used for promotional needs on our website (nybreds.com). The difference represents the costs for special year-end data required for the annual report, as well as programming to update our award-program systems. J.C.I.S. also provides off-premises storage for our data files, which we download a few times per year.

4. Estimated at \$23,000.00
  5. Please refer to our guidelines on Personal Service Contracts.
- M.
1. Equus Media provides data for use on our website (nybreds.com).
  2. The contract is cancellable with sixty (60) days' notice.
  3. In 2008, a sum of \$3,500.00 was paid to Equus Media for data supplied for website use.
  4. Estimated at \$3325.00
  5. Please refer to our guidelines on Personal Service Agreements.
- N.
1. Sandler Thoroughfax provides data for our website (nybreds.com).
  2. The agreement is based upon the number of stallions registered.
  3. In 2008, a sum of \$7,475.00 was paid for hourly clerical work.
  4. Estimated at \$6,000
  5. Please refer to our guidelines on Personal Service Contracts.
- O.
1. Bryan Cave, LLC provides legal services as required.
  2. The agreement is based upon a bi-monthly retainer of \$8,333.33 plus expenses incurred.
  3. In 2008, a sum of \$51,227.21 was paid for services provided.
  4. Estimated at \$50,000.00
  5. Sole Source
- P.
1. Mike Pollack International and Webcasting.com provide broadcasts of Board of Directors meetings.
  2. The agreement is based on an hourly rate and is cancellable at any time.
  3. In 2008, a sum of \$4,931.25 was spent for program updates on our website (nybreds.com).
  4. Estimated at \$2,500
  5. Please refer to our guidelines on Personal Service Contracts.
- Q.
1. Chaiken Systems provides computer support and prepares annual 1099's for submission.

2. The agreement is based upon a fee per 1099 prepared, and is on a year-to-year basis.
  3. In 2008, a sum of \$1,607.60 was paid.
  4. Estimated at \$1,000.00
  5. Please refer to our guidelines on Personal Service Contracts.
- R.
1. Tom Conley Photos provides winning photos of New York-breds at Finger Lakes for use on our website (nybreds.com).
  2. The agreement is based upon a set fee per photo, and is cancellable at any time.
  3. In 2008, a sum of \$1,128.00 was paid.
  4. Estimated at \$600.00
  5. Please refer to our guidelines on Personal Service Contracts.
- S.
1. Post Time Technologies Inc. is an on-demand website service that provides replays of stakes and other races on our website (nybreds.com).
  2. The agreement is based upon the number of replay requests on our website (with up to 10,000 replays included in the base amount).
  3. In 2008, a sum of \$7,500 was paid, which was the agreed-upon charge for up to 10,000 replay requests.
  4. Estimated at \$7,500
  5. Please refer to our guidelines on Personal Service Contracts.
- T.
1. IKON Office Solutions provides on-site service for our office copier machine.
  2. The agreement is on a service-visit basis at an agreed-upon hourly rate for service plus additional for required parts.
  3. Service calls in 2008 amounted to \$211.20.
  4. OGS-agreed pricing; competitive bid
  5. Please refer to our guidelines on Personal Service Contracts.
- U.
1. Pitney Bowes provides annual service agreements on our mail machine and mail scale.
  2. The annual service-agreement price is based on the NYS – OGS agreement.
  3. In 2008, a sum of \$1,639.09 was paid.
  4. OGS-agreed pricing; competitive bid

5. Please refer to our guidelines on Personal Service Contracts.

All of the above contracts have been performed on a timely basis, and all terms have been completed in a satisfactory manner.