

**NEW YORK STATE THOROUGHBRED BREEDING AND  
DEVELOPMENT FUND CORPORATION  
MINUTES OF THE MEETING OF THE BOARD OF  
DIRECTORS HELD AUGUST 20, 2009**

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 20, 2009 at the Fund's office in Saratoga Springs, New York.

Present

John Sabini, Chairman	Chairman, Racing and Wagering Board
John Tesiero	Commissioner, State Racing Commission
Jackie Moody-Czub	Deputy Commissioner, Agriculture and Markets
Ed Kelly	Breeder
Joseph McMahan	Breeder
Jeff Cannizzo	NYTB, Executive Director
Howard Nolan	Breeder
John Graziano, Jr.	Breeder
(via telephone)	
Harry Snyder	Commissioner, State Racing Commission
William Wilmot, DVM	Breeder
Martin Kinsella	Executive Director
William McCabe	Comptroller
Jim Zito	Field Identification Team
Kyle Flaherty	Counsel
Edward Bogdan	Guest

Chairman Sabini called the meeting to order at 10:00 a.m. As the first order of business, Chairman Sabini thanked Commissioner Snyder for serving as Acting Chairman to the Fund following the passing of Lorraine Power Tharp. Chairman Sabini also welcomed to the Fund new Board member John Graziano, and noted that Mr. Graziano has been fully vetted by the State and is authorized to vote upon all matters coming before the Board. Chairman Sabini noted that Mr. Graziano is filling the Board seat formerly held by Phil Trowbridge and thanked Mr. Trowbridge for his service to the Board as well.

As the next order of business, Chairman Sabini directed that the Board members review the Minutes of the Board's May 2009 meeting. After a review of the Minutes, a motion to accept the Minutes without change was duly made, seconded and approved by the Board.

As the next order of business, Chairman Sabini directed Martin Kinsella to review the Fund's Financial Report for the period ending July 31, 2009. Mr. Kinsella reviewed the highlights of that Report, first noting that handle revenue for the seven months ending July 31 was down 11.7% from the same period in 2008, and noting that VLT revenue for that same period of time was up over 14% from 2008, yielding a total revenue decline for the first seven months of the year of nearly 10% from the prior year. Mr. Kinsella also noted that all of the awards categories are down between 15% to 20% from the prior year, principally due to the Board's decision in September 2008 to cease paying awards on 4<sup>th</sup> place finishes. A motion was then made and duly seconded to approve the Fund's April, May, June and July 2009 Financial Reports. This motion passed unanimously.

Chairman Sabini then asked Jeff Cannizzo to give the Fund's Promotional Report. Mr. Cannizzo then distributed a document entitled "NYTB Promotional Report" for the period May 2009 – July 2009 and reviewed the Report with the Board explaining the promotional activities that NYTB had undertaken on behalf of the Fund since the prior meeting.

Thereafter, Mr. Kinsella noted that he had intended to state as part of his financial report that due to a severe payment delinquency from New York City OTB, which is running five months behind in its payments, the Fund may likely not be in a position to make 4<sup>th</sup> period payments in early October, and that it is likely that those distributions may be delayed by several weeks. Chairman Sabini stated that New York City OTB is delaying payments to a number of its creditors as a result of a severe fiscal crisis within that organization. Several Board members inquired whether the Fund should commence a legal action to recover those payments. Fund Counsel noted that it is New York City OTB's position that they are not behind in their payment obligations as they interpret the applicable law to require a payment to the Fund only once a year, not monthly. Fund Counsel stated that if the Board would like to discuss the legal merits of that position, it would be more appropriate to do that in executive session. After an extended discussion on this issue, Mr. McMahon proposed that the Fund send a demand letter to New York City OTB demanding payment in full on their outstanding delinquency, and the Board directed the Fund to do so.

As the next order of business, Jim Zito gave the Fund's advertising report. Mr. Zito explained that due to declining revenues, the Fund's advertising budget was down considerably throughout 2009 and that, consequently, the Fund has placed fewer advertisements and has attempted to be more targeted with its advertising dollars. Mr. Zito proceeded to give an overview of the Fund's advertising program for the year.

As the next order of business, Edward Bogdan gave a brief legislative update. Mr. Bogdan discussed legislative issues relating to the installation of video lottery terminals at Aqueduct, NYCOTB financial difficulties and continuing efforts to attempt to increase the existing 50% cap on breeders awards.

As the next order of business, Chairman Sabini made reference to the allegations of animal abuse by Ernest Paragallo this year and stated that, in his view, the Fund should consider adopting a

formal policy regarding the suspension of awards and other benefits of the Fund for individuals who are charged with such unlawful actions. To that end, Chairman Sabini offered the following motion for the Board's consideration:

That the New York State Thoroughbred Breeding and Development Fund Board adopt a policy pursuant to its powers set forth in Racing Pari-Mutuel Wagering and Breeding Law -- Section 253.6 and Fund Rule (9 NYCRR) 4080.5 -- to disqualify any individual and any related entity and make that individual or related entity ineligible from participating as a beneficiary of the Fund, including deriving any monetary benefit as a result of previously established registrations, when that individual or any entity in which he/she is a principal or otherwise controls or has controlled has been charged with the commission of an offense or crime involving cruelty to, abuse of or neglect of horses or other unlawful conduct associated with the care or custody of horses, or has been convicted of such offense or crime. A disqualification of the individual or related entity based upon pending charges would remain in effect pending disposition of the charges.

This motion was duly seconded and discussed at length. After discussion, the motion was unanimously approved.

Chairman Sabini then offered an additional motion:

That the New York State Thoroughbred Breeding and Development Fund Board direct its counsel to recommend to the Board a plan of operation to provide the necessary substance and process to implement the policy adopted, including if necessary and appropriate the promulgation of rules. The proposed plan should include such matters as process for acquiring information and acting upon it, factors for the exercise of discretion, notice and an opportunity for hearing/review, and disposition of monies withheld and/or no longer payable as a result of disqualification.

This motion was duly seconded and discussed at length. After discussion, the motion was unanimously approved.

Finally, Chairman Sabini advised that it would be appropriate for the Board to establish a committee to review the Fund's field identification program, including a thorough review of the purpose and goal of the field identification program and the possible development of standards and protocols for the field identification team members to follow in the course of its duties. Chairman Sabini asked Dr. Wilmot, Senator Nolan and Mr. McMahon to serve on this committee, and they each agreed to do so.

With no further business pending before the Board, the meeting was adjourned. The next meeting is scheduled for October 29, 2009 at a location to be determined.