

**TOSKI, SCHAEFER & CO., P.C.**  
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March 31, 2011

CONFIDENTIAL

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

We have audited the financial statements of the New York State Thoroughbred Breeding and Development Fund Corporation (the Fund) for the year ended December 31, 2010, and have issued our report thereon dated March 31, 2011. In planning and performing our audit of the financial statements, we considered the internal control structure of the Fund 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.

We have developed the following recommendations concerning certain matters related to the Fund's internal control and certain observations and recommendations on other accounting, administrative and operating matters.

The contents of this report and our suggestions should not be construed as criticism of, or a reflection on, any employee or management. In fact, our discussions and interaction with management provide an excellent opportunity to exchange ideas and formulate these recommendations. In reviewing this report, it is important to remember that the New York State Thoroughbred Breeding and Development Fund's many efficient procedures are not mentioned; this report is by nature critical for the purpose of suggesting means of improving internal control and administrative efficiencies. We welcome the discussion of the ideas expressed herein, and would be pleased to assist in the implementation of any desired actions.

Compliance with Public Authorities Law

The Fund has been identified as non-compliant with filing a budget report as required under Public Authorities Law. Additionally, the annual review of the Fund's investment policy required under Public Authority Law 201.3 was undocumented in the Board minutes. We recommend that the Board become or assign personnel to become familiar with all filings required under the Law and that documentation of compliance be prepared and retained.

Computer Software

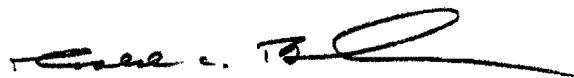
The Fund has acquired computer software to aid in the maintenance of its financial records. This software, Quickbooks, has features relating to bank reconciliation preparation, accounts receivable and accounts payable and financial reporting which are underutilized or not used at all. This results in additional effort to be expended in maintaining the Fund's records and preparing reports. We recommend that the comptroller review these software features and revise the internal processes to make use of the software in these areas. The Fund's chart of accounts will need to be modified to use the receivable and payable subsidiaries which will simplify the financial reporting.

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We wish to take this opportunity to express our appreciation for the courtesy and cooperation extended to us by the New York State Thoroughbred Breeding and Development Fund's personnel during our audit. If you have any questions regarding the foregoing comment or wish any assistance in its implementation, please contact us at your convenience.

Very truly yours,

TOSKI, SCHAEFER & CO., P.C.



Ronald C. Toski, CPA  
Managing Director