

NY THOROUGHBRED BREEDING AND DEVELOPMENT FUND 2014 PERFORMANCE MEASURES REPORT

NAME OF PUBLIC AUTHORITY

New York Thoroughbred Breeding and Development Fund Corporation

PUBLIC AUTHORITY& MISSION STATEMENT

To promote by monetary incentives the responsible breeding of quality Thoroughbred racehorses in keeping with the founding legislation to preserve New York&s irreplaceable farm land.

PERFORMANCE GOALS

1. Promotion of Responsible Breeding

Increase the number of foals born in New York State.

2014 Action: The 4.5% year-to-year increase in foals brought 1,603 foals to the state&s Thoroughbred farms, marking the third year in a row that NY has bucked the nationwide downward trend in Thoroughbred breeding. The 2014 foal count represents an increase of greater than 30% from the 2011 foal count of 1,225.

Ensure that the Registry Compliance Team visits all NYS Thoroughbred breeding farms to collect data pertinent to our state-bred registry.

2014 Action: The inspectors visited nearly all of the state&s 276 farms at least once during the year.

- Those farms with a minimum of 15 mares were visited twice due to their size and/or frequent mare arrivals and departures. A handful of small farms with one to five mares were not visited, but the field inspector responsible for those farms conducted interviews by phone with the managers or owners of the farms and is scheduled to visit them early in 2015.
- The Fund&s field registry compliance team made note of any farm conditions that contributed or could contribute to equine abuse or neglect, to enable the Fund to notify the proper authorities in severe cases and to educate farm owners on taking necessary corrective measures.

Ensure the responsible breeding of Thoroughbreds.

2014 Action: The Fund banned one breeder in NY from receiving awards.

- Upon learning that a breeder of New York-breds had been convicted of animal abuse, Fund staff confirmed with its counsel that the breeder is not and will not be eligible to receive breeder awards in the future. Further, the Jockey Club has opened a file on the breeder such that it may consider revoking his rights to the breeding registry.
- A field inspector triggered follow-up action when he reported that horses at a farm looked ñon the thin side.ö The Executive Director contacted the farm owner and the farm ownerñs veterinarian, and they promised to work together to improve the condition of the horses and to abandon the idea of using the ownerñs stallion as a stud. Over the next several months the field inspector confirmed the steady and marked improvement in the condition of the animals. Thereafter we maintained telephone contact with the veterinarian and owner to confirm their commitment to proper care for the horses.
- The Fund posts success stories weekly concerning off-track Thoroughbreds (OTTBs) and uses the Fundñs website to communicate the importance of finding second careers for them. NYBreds.com also hosts web ads for the nationally acclaimed Finger Lakes Thoroughbred Adoption Program and Old Friends at Cabin Creek at no cost.
- The Fund promotes proper Thoroughbred care and works to increase demand for off-track Thoroughbreds.

2014 Action: The Fund made promotional spends to support post-racing aftercare and help create demand for off-track Thoroughbreds in second careers.

- The Fund made promotional spends for the following: the Saratoga Horse Show, hosting classes limited to off-track Thoroughbreds; the Finger Lakes Thoroughbred Adoption Program; Akindale Thoroughbred Adoption; the Saratoga Springs Equine Education Symposium; the Western New York Girls Interscholastic Polo team, which rides only NY-bred horses; the ñFeed Well, Sell Wellö educational symposium at Morrisville State College; and farm tours arranged by Cornell Cooperative Extension. We hope events like these encourage the proper care of Thoroughbreds at all stages of life, and create demand for ex-racehorses.

Ensure that all prospective NY-bred horses satisfy all requirements for registration, as well as applicable equine-health-related statutory or regulatory requirements.

2014 Action: Oversight by the Executive Director and Registrar of the registry process ensured that these requirements were satisfied for all horses included in the Fundñs registry.

Certify all qualified horses as NY-breds within two weeks of the completion of payment, the necessary paperwork, and the Jockey Club registration of each horse.

2014 Action: Registry staff was unable to meet this goal every month. The popularity of NY-breds at auction created a glut of registrations in advance of the Keeneland Mixed Sale in September and the Fasig-Tipton Saratoga Mixed Sale in early October, which included both yearlings and weanlings. Over thirty-eight percent (38.8%) of foal registrations were received during the month of December, and it took several weeks to catch up. The Fund is working on developing and implementing a software program that will further increase the efficiency of the registration process. This program is scheduled to be rolled out in 2016.

2. EQUINE RESEARCH

Provide 2% of Revenue to the Zweig Fund at Cornell University.

The Fund is required by statute to contribute 2% of its annual revenue to the Harry M. Zweig Memorial Fund for Equine Research.

2014 Action: The amount contributed to the Zweig Fund for 2014 is \$441,928.

3. EQUINE EDUCATION

Support programs that teach youth about Thoroughbred racehorses and educate them about the respectful treatment of Thoroughbreds and other breeds.

2014 Action: The Fund in 2014 provided six (6) \$2,500 scholarships to college students enrolled in equine studies and aiming for careers in the Thoroughbred industry within New York State.

The students' goals included the following careers:

- Equine veterinarian (2)
- Horse trainer (2)
- Broodmare & foal manager (1)
- Management, racing industry (1)

The Fund also sponsored a 4- H tour of Saratoga Race Course, a Thoroughbred farm and the National Museum of Racing and Hall of Fame.

4. COMMUNICATION WITH STAKEHOLDERS

Keep stakeholders informed of industry trends, changes in the awards program, and the accomplishments of NY-breds.

2014 Action: The Executive Director regularly sent e-mail blasts, posted messages on the Fund's website, included messages with regular award-check mailings, and took advantage

of opportunities to correspond with stakeholders via e-mail and telephone, as well as during personal meetings at equine events, racetracks and farm open-house events.

5. PROMOTION OF QUALITY THOROUGHBRED RACEHORSES

- Awards program: Distribute performance-based awards to Thoroughbred breeders, stallion owners, and racehorse owners.
- With assistance from the Jockey Club, maintain the Fund's award system to ensure the accuracy and integrity of awards calculations.
- Allocate \$2 million for the enrichment of purses for NY-bred races in NYS.
- Use advertising and articles to enhance demand for NY-bred racehorses by highlighting their on-track performance and the increased profit potential that comes with owning and racing NY-breds.

2014 Action: In 2014, the Fund bolstered its status as the best breeding program in the US (so designated by the late ESPN Journalist Paul Moran and Fasig-Tipton President Boyd Browning, among others), reaching a new high in award levels due to the combination of increased revenue, a strong purse structure and the running of 823 restricted races (678 at NYRA, 145 at Finger Lakes Gaming and Racetrack).

The Fund made 9,703 award payments totaling approximately \$18 million in 2014 to stakeholders. This includes the 2014 ten-percent holdback paid in January 2015, as well as a 15% supplemental award to be paid in March 2015.

6. EFFICIENT ADMINISTRATION OF THE FUND

- Efficiently and effectively administer the Fund within statutory cost ceilings.
- Streamline operations consistent with an adequate system of internal controls through periodic review and revision of processes and staffing.
- Ensure compliance with all regulatory filing and reporting requirements of NYS control agencies.

2014 Action: In 2014, the Fund spent below the current 5% ceiling set for administrative spending, and below the 6% ceiling on promotional spending.

The Fund made significant improvements in accounting practices to allow for greater transparency to Board members, external reviewers and staff. Improvements were made in terms of:

- Structure

- Efficiency
- Controls

Structure

The Registrar's data has been utilized as the source for recording registry income to enable the recording of income by type of foal (weanling, yearling, etc.). This is important because it illuminates in the financial reports the timing of client registration of their foals, and should alert readers as to trends in that area. In addition, modifications to the Registrar's worksheets have improved efficiency, thereby saving time.

Efficiency

Significant efforts have been made to define the requirements of the award system re-write, which will enable the realization of further increases in efficiency. The roll-out of the revised award system is slated for 2016.

Control

A Comptroller was hired on January 21, 2014 to provide full-time in-house financial expertise. Improvements introduced by the Comptroller include the following:

- Bank of America's "Positive Pay" was implemented for the awards account in order to enforce additional security features that quickly identify suspicious items, thereby lessening the opportunity for check fraud.
- Racing information has now been incorporated into the financial statements to inform readers regarding trends developing within the racing community. This has allowed for significant improvement in the presentation of financials, and has provided a new level of understanding of the data behind the awards.