

**NEW YORK STATE THOROUGHBRED BREEDING AND
DEVELOPMENT FUND CORPORATION
MINUTES OF THE MEETING OF THE BOARD OF
DIRECTORS HELD AUGUST 18, 2015**

A meeting of the Board of Directors of the New York State Thoroughbred Breeding and Development Fund Corporation (the "Fund") was held at 11:00 a.m. on August 18, 2015 at the Fasig-Tipton Sales Pavilion in Saratoga Springs, New York.

Present

John Poklemba	Chairman
Joseph McMahon	Breeder
Jeff Cannizzo	NYTB, Executive Director
William Wilmot, DVM	Breeder
Howard Nolan	Breeder
John Graziano	Breeder
Richard Ball	Commissioner, Agriculture and Markets
Todd Snyder (via Skype)	Gaming Commission
Ronald Ochrym	Gaming Commission
Tracy Egan	Executive Director
Jill LaBoissiere	Comptroller
Adam Lawrence	Breeding Fund
Kyle Flaherty	Counsel

Chairman Poklemba called the meeting to order.

As the first order of business, the Minutes of the December 2014 meeting were reviewed.

After a review of the Minutes, a motion to accept the Minutes was duly made, seconded and approved by the Board.

As the next order of business, Fund Comptroller Jill LaBoissiere was asked to review the Fund's Audited Financial Statements for 2014. Ms. LaBoissiere went through the Audited Financial Statements and reported that it was a clean report. Ms. LaBoissiere then reviewed the June 2015 Financial Statements with the Board and noted the highlights of those Statements. She noted that the Fund's financials appear to be on target for the year.

As the next item, Chairman Poklemba asked Ms. LaBoissiere to address the issue of whether the Board should increase registration fees for Breeding Fund participants. She then shared with the Board members a recent study of the Fund's current registration fee schedules as they compare to other State breeding programs. It was noted that the idea of increasing the registration fee was

originally contemplated by the Audit Committee as a means of supporting thoroughbred aftercare. Board members McMahon and Cannizzo both addressed the importance of supporting thoroughbred aftercare in New York State. It was noted that Fund counsel has issued an opinion on the authority of the Breeding Fund using Fund revenue for aftercare purposes and the Chairman asked that he distribute this to Board Members. Chairman Poklemba stated that it was his understanding that Gaming Commission counsel is also reviewing the legality of using registry fees to subsidize aftercare, and stated that in his view, the matter should be put over until early December after Gaming Commission counsel provides its view.

As the next order of business, the Board reviewed whether to increase the breeders-award cap to 65% as permitted by statute.

After a thorough discussion on the issue, a motion was made and duly seconded to increase the breeder-award cap to 65% such that breeders can be paid to the fullest extent possible for awards earned in 2015. This motion was unanimously adopted.

As the next order of business, Ms. Egan gave the Board a report on the scholarship recipients for 2015 and the participants in the fledgling NY Thoroughbred Fellowship students. Ms. Egan also gave an overview of the Fund's promotional activities.

Chairman Poklemba then asked Mr. Cannizzo to provide a report regarding NYTB's promotional activities on behalf of the Fund. Mr. Cannizzo circulated a 7 page report and reported on the various promotional activities that NYTB performs for the Breeding Fund.

Chairman Poklemba then noted that the next item on the agenda is consideration of the contract extension with NYTB. Ms. Egan gave a brief historical perspective on NYTB's contract with the Breeding Fund. Fund counsel then noted that over the past 15 years, the Board has found that NYTB is a sole source provider for providing promotional activities for the Fund, and he noted over the years that the Board has determined that NYTB is uniquely positioned to advance and promote the breeding industry. The terms of the NYTB agreement were then shared with the Board.

After discussion, a motion was made and duly seconded to extend the NYTB contract for 2016. This motion was unanimously adopted, with Mr. Cannizzo recusing himself from the vote.

As the next order of business, Ms. Egan explained that in connection with the Fund's computer upgrade, the Fund's vendor Mannix is proposing an additional upgrade to the Fund's website that would allow the website to be accessible via smart phones, iPads and other similar mobile devices. The cost of this additional upgrade would be \$10,000.

After discussion, a motion was made and duly seconded to authorize the Fund to pay Mannix up to \$10,000 to perform the website upgrade. This motion was adopted unanimously.

As the next order of business, the Board was asked to review the shared services agreement between the Gaming Commission and the Breeding Fund that had been circulated to the Board for its consideration. Ms. Egan and Fund counsel explained to the Board members that under that

agreement, the Fund rents space and utilizes certain personnel and services of the Gaming Commission in administering its program. They further noted that the agreement has been fully negotiated and is ready for Board approval.

After discussion, a motion was made and duly seconded to authorize the Breeding Fund to enter into the shared services agreement with the Gaming Commission on the terms set forth therein. This motion was adopted unanimously with Chairman Poklemba, Mr. Snyder and Mr. Ochrym recusing themselves from voting on the matter.

Ms. Egan was directed to execute the shared services agreement on behalf of the Breeding Fund.

As the next order of business, Chairman Poklemba noted that the next item on the agenda is to consider the Fund's agreement with Bryan Cave for monthly legal services for 2016. There was no action on this matter.

Chairman Poklemba next raised the issue of responding to NYRA's request for the return of certain alleged overpayments. After providing a brief history of the dispute, Chairman Poklemba suggested that the Breeding Fund seek a non-binding opinion from the Office of the New York State Comptroller regarding the overpayment dispute.

After discussion, a motion was made and duly seconded for the Breeding Fund to seek a non-binding opinion from the Office of the New York State Comptroller regarding a resolution of the NYRA overpayment dispute. This motion was adopted unanimously.

As the next order of business, Mr. McMahon was asked to address the Board regarding the Breeding Fund's proposed budget for 2016. Mr. McMahon noted that over the past year, the Audit Committee has met many times in an attempt to structure an appropriate budget for 2016 and explained the general process that they employed in doing so. The proposed budget was circulated to all of the Board members and Mr. McMahon stated that the Audit Committee fully endorses the proposed budget that has been circulated.

After an extended discussion regarding the proposed 2016 budget, a motion was made and duly seconded to approve the Audit Committee's proposed budget. This motion was adopted unanimously.

The next order of business concerned a proposal to move the Breeding Fund's accounts from Bank of America to Trustco Bank. Mr. McMahon and Ms. LaBoissiere explained the process that the Audit Committee undertook to evaluate whether to continue the Fund's accounts with Bank of America or to move those accounts to another bank. After a full explanation, Mr. McMahon noted that it is the Audit Committee's recommendation that the Breeding Fund terminate its accounts with Bank of America and move its accounts to Trustco Bank.

After discussion, a motion was made and duly seconded for the Breeding Fund to terminate its accounts with Bank of America and move its accounts to Trustco Bank. This motion was adopted unanimously.

Chairman Poklemba noted that since Mr. Kelly could not be in attendance at this meeting, the agenda item regarding the Breeding Fund's policies for 2016 should be tabled until the

December meeting. Mr. McMahon stated that while he has no objection, he wanted to advise the Board that the Governance Committee would like to add former Board member Harry Snyder to that Committee, and noted that Mr. Snyder has indicated that he would be willing to serve. Chairman Poklemba noted that he would first like an opportunity to review all of the committees and the purpose and composition of those committees.

As the next order of business, Chairman Poklemba asked Dr. Wilmot to provide an update on the Zweig Fund's activities in 2015. Dr. Wilmot proceeded to discuss the good work of the Zweig Fund and the research that the Zweig Fund has sponsored recently.

As the next order of business, Ms. Egan was directed to give an update on the Breeding Fund's software update. Ms. Egan proceeded to provide a general overview of the software update and noted that the update should be completed in the near future.

As a separate matter, Ms. Egan introduced to the Board members each of the recipients of the Breeding Fund's New York Thoroughbred Fellowship program:

- Melinda Fairchild
- Edward King, Jr.
- Sarah Smith
- Amanda Tinkler

A motion for the Board to go into executive session to discuss certain personnel and litigation matters was made, duly seconded and approved by the Board.

At the conclusion of the executive session, Chairman Poklemba went back on the record and reported that no action was taken with respect to the litigation matter, but that on the personnel matter, the Board had decided to increase the compensation for two Fund employees.

Chairman Poklemba noted that based upon the December 2014 minutes, it appears that the Fund had been directed to communicate with the Office of Racing Promotion and Development regarding the disposition of approximately \$54,000 that the Fund has been holding for the Quarter Horse Fund for many years. Chairmen Poklemba asked what actions, if any, the Fund had taken after the December 2014 meeting on this issue. Ms. Egan advised that the Fund had, in fact, communicated with the Office of Racing Promotion on this matter, but had never received a response. Chairman Poklemba directed Ms. Egan to send that communication directly to the Gaming Commission's Executive Director.

As the last item on the agenda, Chairman Poklemba asked for an update from Fund counsel on the issue of whether the Breeding Fund's current policy of allowing the Advertising Committee to spend up to \$25,000 without Board approval on advertising expenditures is permissible under New York State law. Fund counsel stated that he reviewed this issue and concluded that there is no State law restriction on this Board authorization.

Under new business, Mr. McMahon reported that the Audit Committee would like to review purse enrichment and owners award expenditures prior to the December meeting and that the Audit Committee would be prepared to report on those items at the next meeting.

Chairman Poklemba stated that he would like to schedule a Board meeting for early December.

With no further business pending before the Board, the meeting was adjourned.