

**NEW YORK STATE THOROUGHBRED BREEDING AND
DEVELOPMENT FUND CORPORATION
MINUTES OF THE MEETING OF THE BOARD OF
DIRECTORS HELD FEBRUARY 7, 2008**

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 February 7, 2008 at the Fund's office in Saratoga Springs, New York.

Present

Lorraine Power Tharp	Chair
Harry Snyder	Commissioner, State Racing Commission
John Tesiero (via phone)	Commissioner, State Racing Commission
Dan Hogan	Chairman, Racing and Wagering Board
Jackie Moody-Czub	Deputy Commissioner, Agriculture and Markets
Howard Nolan (via phone)	Breeder
Ed Kelly	Breeder
Phil Trowbridge	Breeder
Joseph McMahan	Breeder
William Wilmot, DVM	Breeder
Michael McMahan	NYTB President
Martin Kinsella	Executive Director
William McCabe	Comptroller
Jim Zito	Field Identification Team
Kyle Flaherty	Counsel
Dennis Brida	Guest
Jane Decoteau	NYTB Acting Executive Director
Ed Bogdan	NYTB Legislative Representative

Chairwoman Lorraine Power Tharp called the meeting to order at 10:00 a.m. At the beginning of the meeting, the Chair recognized Commissioner Snyder, who asked that the Board observe a moment of silence in memory of William J. Levin, the former Chairman of the Breeding Fund, in view of his recent passing.

As the next order of business, the Chair directed that the Board members review the Minutes of the Board's November 2007 meeting. After some discussion, it was noted that the Minutes need to be amended to include the fact that Jackie Moody-Czub, a Deputy Commissioner with New York State Agriculture and Markets, was in attendance at the November meeting. With this change, the Board unanimously approved the Minutes.

As the next order of business, the Chair directed Martin Kinsella and William McCabe to review the Fund's December 31, 2007 Financial Report. Mr. McCabe reviewed the highlights of that Report with the Board members, noting, in particular that the Fund's total income for the year was slightly under \$15 million, and that the Fund paid awards and purse enrichment in the total sum of approximately \$11.5 million in 2007. Mr. McCabe reported that prior to making the adjustments that are required by law, breeders awards in 2007 would have been over \$8.5 million. Mr. McCabe further reported, however, that in order to stay within the 50% limitation imposed by statute, the Breeding Fund could not pay out more than \$7,469,804 in breeders awards. As a result of this adjustment, Mr. McCabe reported that the breeders awards were only payable at 87.5% of their advertised rates. Mr. Kinsella reported that NYC OTB was consistently paying on a four (4) month delay, and that in the absence of legislative changes at the New York State level, it is very possible that NYC OTB could shut down by June 2008. A general discussion about the future of NYC OTB ensued. After further discussion and a thorough review of the Fund's December 2007 Financial Report, the Board unanimously approved the December 2007 Financial Report.

As the next order of business, Chairwoman Power Tharp asked Edward Bogdan to provide the Board with a legislative update. Mr. Bogdan reported that he is very optimistic that the New York State legislature would soon reach an agreement on the racing franchise and the long-standing VLT issues. Mr. Bogdan also expressed optimism that the Breeding Fund would achieve its goal of receiving revenue on the VLTs at the 1.5% rate that the Fund was seeking. Mr. Bogdan also noted that he is not aware of any legislative relief for NYC OTB, and stated that he believed there is a real chance that NYC OTB could shut down if no legislative relief for that organization is forthcoming.

As the next order of business, the Chair asked Mr. Kinsella to report on the Fund's financial status for 2008. Mr. Kinsella stated that in light of the uncertainties in the racing franchise, the delay in the VLT process and the possible shut down of NYC OTB in June of 2008, there is a real concern about the Fund's finances in 2008 and beyond. Mr. Kinsella reported that in December he visited Finger Lakes Racing Association and advised the representatives of that track that it is very likely that the Fund's purse enrichment payments to FLRA in 2008 may be down significantly from 2007, as that is one area in which the Fund has greater discretion in distributing monies. Mr. Kinsella continued that the Fund has now received a notice from the State Comptroller concerning the Fund's new financial reporting obligations under GASB 43 and 45. Mr. Kinsella explained that under these financial accounting standards, the Fund would have to report and account for other post-employment benefits ("OPEB"), which could be quite difficult for the Fund in light of the strict legislative limits placed upon the expenditures of monies from the Fund's administrative budget.

As the next order of business, the Chair asked Mr. McMahon to report on NYTB's promotional activities under its contract with the Fund. The Chair also invited Mr. McMahon to address the

Board about the Fund's recent action in cancelling NYTB's contract with the Fund. First, Mr. McMahon gave the Board an overview of the various promotional activities that NYTB has undertaken on behalf of the Fund, including completing and distributing the 2008 Stallion Register, publishing and disseminating monthly newsletters to interested breeders and participating in various promotional events surrounding the New York Stallion Stakes races.

Next, Mr. McMahon addressed the Breeding Fund's recent letter to NYTB cancelling the parties' contract for 2008. Mr. McMahon asked that the Fund re-consider that action in light of the value that NYTB brings to the Fund through its promotional activities. Mr. McMahon then asked NYTB's Acting Executive Director, Jane Decoteau, to read a letter to the Board requesting that the Board renew the Fund's contract with NYTB for 2008 to the greatest extent that it can under its present financial circumstances. Several Board members, including Chairwoman Power Tharp and Joseph McMahon, stated that NYTB has done excellent work in serving as the promotional arm of the Breeding Fund, and the Chairwoman noted that while she believed it was fiscally necessary to terminate the agreement, she would be receptive to renewing a promotional services contract that fit within the Fund's fiscal constraints and demands. A discussion then ensued about the feasibility of renewing the expired contract effective January 1, 2008 on a temporary basis, while the Fund and NYTB negotiated a new agreement going forward. In response to several questions from Board members, Fund counsel noted that if a new contract is negotiated with a lower annual payment obligation, the new contract could be structured so as to provide the Fund with a credit to the extent of the higher monthly payments that it would make to NYTB in the early part of 2008. After further discussion, a motion was made, seconded and approved to renew the NYTB contract as of January 1, 2008 until further notice from the Board. The Board then directed Mr. Kinsella to meet with NYTB with a view toward negotiating a new agreement with that organization.

As the next order of business, Chairwoman Power Tharp asked Commissioner Snyder to give a report of the Fund's Audit Committee. Commissioner Snyder reported that in the Fall of 2007 the Audit Committee conducted a search for a new independent audit firm, and in December opened sealed bids from a number of auditing firms that had bid on the work. Commissioner Snyder reported that the firms bid in the range of \$12,000 to \$24,000 per year, and that the Fund had selected the lowest bidder, which was the Toski Schaefer firm from Williamsville, New York.

Chairwoman Power Tharp then asked Ed Kelly to give a report of the Fund's Governance Committee. Mr. Kelly reported that the Governance Committee, which, in fact has now replaced the Fund's Compensation Committee, has finalized the Fund's Employment Policies and had distributed a copy of those Employment Policies to all of the Board members for their review. Mr. Kelly explained that if approved by the Board, the Executive Director would distribute the Employment Policies to the Fund's staff. It was noted that an "Employee Acknowledgment" should be required from each employee as he or she receives a copy of the Employment Policies. Mr. Kinsella stated that he would do that, and noted that the Employment Policies, although now more formalized, do not represent a significant change to the policies that the Fund has had in place over the past several years. After further discussion, a motion to accept the Employment Policies was made, seconded to approved by the Board.

The Chair then asked Mr. Zito to give the Fund's Advertising Report. Mr. Zito provided the Board members with an overview of the Fund's Advertising efforts since the last meeting.

As the final order of business for the day, the Chair asked Mr. Kinsella to report on the State Comptroller's follow-up to its Fiscal Controls audit from 2004. Mr. Kinsella reminded the Board members that several years earlier, the State Comptroller Office's had conducted a Fiscal Controls audit of the Fund and had made 20 separate recommendations concerning, among other things, the Fund's fiscal processes and controls and its general operating procedures. Based upon a review of those recommendations, the Fund implemented a number of changes that were intended, where appropriate and feasible, to respond to those recommendations. In 2007, the State Comptroller's Office conducted a follow-up review to gauge whether, or to what extent, the Fund had implemented those recommendations. Mr. Kinsella reported that the State Comptroller Office's follow-up report found that of the 20 recommendations that it made initially, 17 were fully implemented, 2 were partially implemented and 1 was not implemented at all. Mr. Kinsella explained that the recommendations which have not been fully implemented relate to matters that the Fund reasonably believed, and continues to believe, are not necessary or feasible to implement.

With no further business pending before the Board, the meeting was adjourned. The next meeting is scheduled for May 8, 2008 at the Fund's office in Saratoga Springs, New York.