

**NEW YORK STATE THOROUGHBRED BREEDING AND  
DEVELOPMENT FUND CORPORATION  
MINUTES OF THE MEETING OF THE BOARD OF  
DIRECTORS HELD MAY 11, 2006**

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 May 11, 2006 at the Fund's office in Saratoga Springs, New York.

Present

Lorraine Power Tharp	Chairman
Harry Snyder	Commissioner
John Tesiero	Commissioner
Cathy Durand	Deputy Commissioner, Agriculture and Markets
John Cansdale	Executive Director, Racing and Wagering Board
William Wilmot, DVM	Breeder
Dennis Brida	Breeder (former NYT B Exec. Dir.)
Joseph McMahon	Breeder
Phil Trowbridge	Breeder
Ed Kelly	Breeder
Martin Kinsella	Executive Director
Joseph Spadaro	Deputy Executive Director
William McCabe	Comptroller
Kyle Flaherty	Counsel
Ed Bogdan	NYTB Legislative Representative

Chairman Lorraine Power Tharp called the meeting to order at 10:00 a.m. As the first order of business, the Chair directed that the Board members review the Minutes of the Board's February 2006 meeting. After some discussion, the Board approved the Minutes unanimously.

As the next order of business, the Chair directed Executive Director Martin Kinsella and Counsel Kyle Flaherty to review with the Board members a draft Code of Ethics that Counsel had prepared in advance of the meeting. Mr. Kinsella explained that during the State Comptroller's recent audit of the Fund, one of its recommendations was that the Fund adopt a code of ethics for its officers and employees. Mr. Flaherty then noted that all of the Fund's officers and directors are already subject to the ethical requirements imposed under the New York State Public Officers Law, and that the Code of Ethics, as drafted, is intended to regulate the conduct of Fund employees. Several Board members suggested minor changes to the draft, which were agreed

upon by the other Board members. After some further discussion, the Board unanimously approved the Fund's adoption of a code of ethics substantially in the form that had been circulated to the Board members.

The Chair then directed Mr. Kinsella to review the Fund's March 2006 Financial Report and went through the highlights of that report with the Board. Mr. Kinsella noted that on page 6, there was a revenue receivable from NYC-OTB in the sum of \$1,071,797; however, he explained that since the report had been prepared, NYC-OTB had made an additional payment of \$250,000, but was still substantially delinquent. After some further discussion, a motion was made and duly seconded to accept the March 2006 Financial Report. This motion passed unanimously.

As the next order of business, the Chair directed Mr. Kinsella and Mr. Flaherty to address the problems that the Fund is having with NYC-OTB in collecting revenue from that entity. Mr. Kinsella explained that in a telephone conference with certain of the principals of NYC-OTB, they had advised him and Fund Counsel that NYC-OTB was experiencing significant financial problems due to a number of operational and management costs, and that they were well behind in nearly all of their payment obligations, including their obligations to the Fund. A discussion then ensued about litigation options, and Fund Counsel advised that before commencing a lawsuit, it would be necessary to file a notice of claim on NYC-OTB seeking recovery of the delinquent payments. After some discussion, a motion was made and duly seconded to authorize Legal Counsel to file a notice of claim on NYC-OTB, and if necessary and appropriate, to commence litigation in order to collect on the delinquency. That motion was approved unanimously. Thereupon, there was further discussion about a proposed legislative bailout for NYC-OTB to address its funding deficiencies. After some further discussion, the Board members informally agreed that it might be appropriate, based upon the circumstances, to convene a meeting in late June to address these issues.

As the next order of business, the Chair asked Ed Bogdan to give a legislative update. Mr. Bogdan reported on the progress of the legislative initiative to increase funding for the OTBs and the Fund in 2006, predicting that that initiative should provide the Fund with a one-time increase of approximately \$2 million for the year. Mr. Bogdan also reported on the legislative initiative to give the Board flexibility to increase substantially all of the award categories, but noted that this effort had met some resistance in the Assembly.

As the next order of business, Mr. Spadaro gave the Fund's advertising report, noting that the Fund has several video advertisements running at various tracks promoting the Fund. He also discussed the Name the Foal contest that the Fund is sponsoring and distributed a new print advertisement of the Fund that has appeared in a number of industry publications.

Mr. Kinsella noted that at the last meeting, the Board had requested that the Fund conduct a study to analyze how successful New York-sired horses have been as against the non-New York-sired horses. Mr. Kinsella distributed a handout analyzing that issue, which demonstrated that in 2005, of the 893 New York-bred winners, 474 of them were New York-sired horses and that the bulk of the breeders awards were paid to New York-sired, as opposed to non-New York sired, horses. However, that same study also revealed that a significant percentage of non-New York-sired horses had won more than half of the New York-run races in 2005.

Under new and old business, Mr. Brida advised the Board members that he would be leaving NYTB the following day and would be taking a new position with the newly-formed Empire Racing Association. He advised that Jane Decoteau would serve as the Acting Executive Director of NYTB following his departure.

Under new business, Dr. Wilmot drew the Board's attention to a position paper that Barry Ostranger, the President of NYTB, had prepared in connection with racing reform issues, including issues relating to bidding for the NYRA franchise. Dr. Wilmot noted that the position paper contained a number of inaccuracies. The Board members suggested to Mr. Kinsella that he send Mr. Ostranger a letter acknowledging his position paper, but requesting he correct the inaccuracies contained therein.

With no further business pending before the Board, the meeting was adjourned. Whereupon a motion to convene an executive session was duly made, seconded and approved, and the Board convened an executive session to address personnel matters.