

**NEW YORK STATE THOROUGHBRED BREEDING AND  
DEVELOPMENT FUND CORPORATION  
MINUTES OF THE MEETING OF THE BOARD OF  
DIRECTORS HELD DECEMBER 17, 2013**

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 December 17, 2013 at the offices of the State Gaming Commission in Schenectady, New York.

Present

Barry Sample	Chairman
Joseph McMahon	Breeder
Jeff Cannizzo	NYTB, Executive Director
William Wilmot, DVM	Breeder
Howard Nolan	Breeder
John Graziano	Breeder
Jim Bays	Acting Commissioner, Agriculture and Markets
John Crotty (by video)	Gaming Commission
John Poklemba (by video)	Gaming Commission
Todd Snyder (by video)	Gaming Commission
Tracy Egan	Executive Director
Kristine Frutschy	Frutschy Consulting, LLC
Kyle Flaherty	Counsel
Robert Williams	Gaming Commission
Ed Burns	Gaming Commission
Charlie Diamond	Office of Racing Promotion & Development
Jackie Moody-Czub	Agriculture & Markets

Chairman Sample called the meeting to order. Upon a roll call of the Board members, it was noted that there was a quorum for the transaction of Breeding Fund related business.

As the first order of business, Chairman Sample asked the Board members to review the September 10, 2013 Minutes. After a review of the Minutes, a motion to accept the Minutes was duly made, seconded and approved by the Board, with all the four (4) Gaming Commission Board members abstaining from the vote as they did not serve on the Board in September and did not participate in the September meeting.

As the next order of business, Chairman Sample directed Ms. Egan to provide the Breeding Fund's November Year-to-Date Financial Report. Ms. Egan asked Kristine Frutschy, a

consultant retained by the Breeding Fund to monitor its financial activities, to assist her in delivering the report. Ms. Egan first noted that the Fund's revenue through the first 11 months of 2013 was up significantly as a result of increases in VLT revenue, and noted that on-track revenue had declined from the prior year. Ms. Frutschy then distributed two (2) documents, a ten (10) page document entitled "Actual Comparison" and a four (4) page document entitled "Comparison of November 2012 to November 2012 Year-to-Date," and provided a general overview of the Fund's financials through November 2013. Several Board members raised questions regarding the manner by which the Breeding Fund Board established the Fund's annual budget. A general discussion then ensued regarding the Breeding Fund's receipt of annual revenues and its distribution of awards, purse enrichment and expenses, and the mechanics by which the Breeding Fund establishes and monitors its annual budget.

**After some further discussion, a motion was made and duly seconded that an informational meeting be scheduled among the Breeding Fund staff, Board members and counsel at another time for the benefit of the Breeding Fund's new Board members so as to familiarize them with the Breeding Fund's structure and operations generally. This motion was unanimously adopted.**

Ms. Egan and Ms. Frutschy continued with the financial report, reviewing with the Board members the Breeding Fund's 2013 revenue, expenses and awards.

Chairman Sample then asked Mr. Cannizzo and Mr. McMahon to discuss the purse enrichment item on the agenda. Mr. McMahon gave a brief overview of what purse enrichment is and how it is allocated as between NYRA and Finger Lakes Racing Association. Mr. McMahon further stated that the current view of the Breeding Fund's Audit Committee is that the Board should not simply pay out purse enrichment as a matter of course, but should consider conditioning the provision of purse enrichment to racing associations based upon the associations' willingness to provide greater disclosure concerning the utilization of that enrichment money. Mr. Cannizzo also suggested that the Board may wish to consider holding back on its purse enrichment commitment each year until the end of the year so that the Board has ultimate flexibility.

**After a lengthy discussion, a motion was made and duly seconded, that the Breeding Fund endeavor to utilize all of its discretionary revenue to pay 2013 breeders awards at the advertised rates to the greatest extent feasible, consistent with prudent management and within statutory limitations. This motion was approved by the Board, with all the four (4) Gaming Commission Board members abstaining from the vote.**

**A motion was then made and duly seconded, to approve the Breeding Fund's Financial Report. This motion was approved by the Board, with all four (4) Gaming Commission Board members abstaining from the vote.**

As the next order of business, Chairman Sample directed Ms. Egan to address the issue of raising the cap for 2013 on breeders awards from 50% of fund revenue to 65% of fund revenue, i.e., to the statutory maximum. It was explained that under the Racing Law, the Board has the discretion, upon 2/3 vote of its Board, to increase breeder awards to this statutory maximum. Several of the Gaming Commission members expressed their concern about voting on this measure without a fuller explanation on the need and prudence of increasing the breeders awards to the statutory maximum, and explained that they were inclined to abstain from the vote. Fund

counsel and various Board members provided the Gaming Commission members with a more complete background of the importance of this measure, which Senator Nolan described as being "essential" to the Breeding Fund's mission and consistent with the expectations of the Breeding Fund community at large.

**After an extended discussion on this issue, a motion was made and duly seconded, to raise the statutory cap on breeders awards for 2013 to the statutory maximum. This motion was unanimously approved.**

As the next order of business, Chairman Sample asked Mr. McMahon, as the Chair of the Audit Committee, to provide a brief report on the search for a new Breeding Fund Comptroller. Mr. McMahon stated that the Audit Committee had interviewed four (4) individuals and has found a suitable candidate for the position, whose name has now been passed along to the State's Appointments Office.

**A motion was made for the Board to go into executive session to discuss personnel issues. The motion was duly seconded and approved, and the Board went into executive session. No action was taken by the Board in the executive session.**

Upon resuming the meeting, Commissioners Crotty, Poklemba and Snyder were excused from the meeting, but a quorum for the conduct of business remained. Chairman Sample then directed Ms. Egan to give the Board an update on the Fund's Awards System Rewrite vendor search. Ms. Egan gave the Board a full report, and indicated that it is the Fund's view, in light of the efforts that have been undertaken to find an equine-based software provider to bid on this project, that the Jockey Club Information System is a sole source provider in this field.

**Upon discussion, a motion was made to allow the Fund to solicit a bid from JCIS, on a sole source provider basis, to develop and implement appropriate computer software for the Breeding Fund's awards system and registry. This motion was duly seconded and approved.**

**A motion was made to delegate to Chairman Sample and Ms. Egan the authority to hire, a new Fund Comptroller. This motion was duly seconded and approved.**

As the next order of business, Chairman Sample noted that the Gaming Commission has circulated a draft Memorandum of Understanding concerning the Commission's provision of space, staff and services to the Breeding Fund, and asked whether the Board was prepared to vote on that proposed agreement. A discussion then ensued that not all of the Board had been given an adequate opportunity to review the draft agreement and/or to review it with Fund counsel. It was suggested that this issue be tabled to a later meeting. After a lengthy discussion, Dr. Wilmot recommended that a committee be formed to review and comment on the draft agreement.

**A motion was made to establish a committee, to be chaired by Mr. Cannizzo, and to include Chairman Sample and Mr. McMahon and counsel to the Breeding Fund and the Gaming Commission, to review the draft Memorandum of Understanding proposed by the Gaming Commission, and if appropriate, to execute same. This motion was duly seconded and approved.**

As another matter of new business, Mr. McMahon noted that a committee needed to be formed to work with the racing associations on purse enrichment matters. Chairman Sample appointed Mr. Graziano, Mr. McMahon, Mr. Cannizzo and Dr. Wilmot to serve as the Breeding Fund's purse enrichment committee.

As a final matter of new business, Dr. Wilmot suggested that the Board should form an Advertising Committee to review the Fund's advertising spend in its revised budget. After some discussion, Dr. Wilmot, Mr. Cannizzo, Mr. McMahon and Ms. Egan were appointed to serve on the Fund's Advertising Committee.

The Board then discussed establishing a date for the next meeting. It was agreed that the next Board meeting would be held on January 16, 2014.

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