

**NEW YORK STATE THOROUGHBRED BREEDING AND
DEVELOPMENT FUND CORPORATION
MINUTES OF THE MEETING OF THE BOARD OF
DIRECTORS HELD DECEMBER 6, 2016**

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 6, 2016 at the Fasig-Tipton Sales Pavilion in Saratoga Springs, New York.

Present

John Poklemba	Chairman
Joseph McMahon	Breeder
Jeff Cannizzo (via video)	NYTB, Executive Director
William Wilmot, DVM	Breeder
Howard Nolan	Breeder
John Graziano	Breeder
Richard Ball	Commissioner, Agriculture and Markets
Philip Birsh	Breeder
Tracy Egan	Executive Director
Jill LaBoissiere	Comptroller
Adam Lawrence	Registrar
Kyle Flaherty	Counsel

Chairman Poklemba noted that there was a quorum and called the meeting to order.

As the first order of business, the Board considered the Minutes of the August 2016 meeting. Dr. Wilmot noted that on page 2 of the Minutes, the full name of Randy Gullatt was missing. It was noted that the Minutes should be amended to reflect the name Randy Gullatt. There were no other comments regarding the Minutes.

Upon noting the amendment reflected above, a motion to accept the Minutes, as amended, was duly made, seconded and approved by the Board.

As the next order of business, Chairman Poklemba asked Jill LaBoissiere to review with the Board the October 2016 Year-to-Date Financials. Ms. LaBoissiere proceeded to review the financials with the Board. She noted that it appears likely that there will be sufficient revenue in 2016 to pay supplemental awards. However, Ms. LaBoissiere also noted that one of the things to keep an eye on in 2017 will be anticipated reductions in revenue from VLTs at Resorts World due, in part, to the loss of revenue-producing VLTs under a new Resorts World arrangement with Nassau County OTB. A question was posed about whether the Fund will be "held harmless" such that its 2013 VLT revenue be preserved. Fund counsel stated that he would review this

issue in advance of the Board's next meeting. Ms. LaBoissiere also cautioned that the anticipated loss in VLT revenue will likely be greater than originally expected. She stated that the arrangement between Resorts World and Nassau County OTB appears to allow the latter to select the most profitable VLT machines, with the effect that the Fund will lose substantial VLT revenue associated with those machines.

A motion to approve the October 2016 Financial Statements was made, duly seconded and unanimously approved by the Board.

As the next item, Chairman Poklemba asked Ms. LaBoissiere to review with Board members the results of the Fund's search for an outside audit firm for the next three (3) years. Ms. LaBoissiere reported that the Fund circulated a Request for Proposal to 19 firms in New York State, eight (8) of which were qualified MWBE firms. The Fund received five (5) responses, three (3) of which were discarded as being too expensive or not qualified. She then reported that the two (2) remaining audit firms were EFPR Group LLP (formerly Toski) and Marvin and Company PC. She distributed a document demonstrating the characteristics and cost estimates from both firms. Ms. LaBoissiere noted that EFPR Group is a 30% MWBE firm, and disclosed that it is the same firm that the Fund currently utilizes. Ms. LaBoissiere recommended that the Board select EFPR Group since the firm is qualified, has done good work and has the advantage of being a MWBE entity. Board member John Graziano stated that he feels very strongly that the Fund should change its outside audit firm based upon best-practice principles for non-profits. He stated that based on his experience he believes that it is good from time to time to have a new set of eyes on the Fund's financial practices. There was some discussion on the merits of selecting either of the two firms.

After further discussion, a motion to select Marvin and Company PC as the Fund's new outside auditor for a term of three (3) years was made, duly seconded and unanimously approved by the Board, with abstentions from Chairman Poklemba and Mr. Nolan.

As the next order of business, Chairman Poklemba asked Ms. Egan to review with the Board members a contract with Tech-II for IT services for the Fund. Ms. Egan noted that this group has done excellent work for the Fund in the past. She reviewed the terms of the Breeding Fund's proposed contract renewal with NYTBDF. It was noted that the Fund had sent out Request for Proposals for this work to four (4) other firms, but Tech-II was the only firm that responded. Ms. LaBoissiere gave a brief description of the type of technical services that Tech-II has provided in the past.

After some discussion, a motion to approve a renewal of the Fund's agreement with Tech-II was made, duly seconded and unanimously approved by the Board.

As the next order of business, Chairman Poklemba stated that the Board needed to review a contract renewal with Bryan Cave. Fund counsel gave the Board a brief reminder of the terms of the arrangement between the firm and the Fund. Mr. Flaherty then stepped out of the meeting.

After some discussion, a motion to approve a renewal of the Fund's agreement with Bryan Cave was made, duly seconded and approved by the Board.

As the next order of business, Chairman Poklemba stated that the Board needs to consider whether to allow the Fund to pay up to 65% of revenue in the breeder-award category such that breeders can receive awards in 2017 to the greatest extent permitted by law.

After some discussion, a motion to increase the cap on breeders awards for 2016 to the fullest extent permitted by statute was made, duly seconded and unanimously approved by the Board.

The next order of business was the Board's consideration of paying out maximum awards as a supplemental payment in Quarter 1 of 2017 among all three award categories in amounts that are consistent with the 2016 allocation percentage to each category. The Board discussed this issue at length, including the concern that there is still a great deal of uncertainty with respect to competing interests for enhanced purse enrichment utilization of certain amounts of the Fund's surplus revenue, and that there are on-going discussions in connection with those concerns. After a lengthy discussion on the proper resolution of this matter, it was determined that, under the circumstances, it would be prudent to table this issue until a later time when the Board may have a better understanding of the competing interests for this supplemental revenue and its impact on the Thoroughbred breeders of the State.

A motion to table the payment of supplemental awards in 2017 pending further discussion and review by the Purse Enrichment Committee was made, duly seconded and unanimously approved by the Board.

The next order of business was consideration of the Fund's directive to NYRA regarding use of purse enrichment monies in 2017. Ms. Egan explained that in developing its purse-enrichment program for 2017, the Fund had established as a condition for the utilization of such monies that NYRA pay \$10,000 for any New York-sired New York-bred who breaks its maiden at the maiden special weight level or higher. Ms. Egan stated that NYRA has objected to this condition. The Purse Enrichment Committee is reviewing this matter. Board member Birsh asked what would happen if NYRA refused to comply with the conditions that the Fund has imposed for purse enrichment. Fund counsel stated that in his opinion, if NYRA refuses to comply with a purse-enrichment condition established by the Fund, then the Fund would have satisfied its obligation with respect to the 60/40 purse-enrichment allocation.

A motion for the Board to go into Executive Session for the reasons set forth on the Agenda was made, duly seconded, and approved. The Board then went into Executive Session.

At the close of Execution Session, Chariman Poklemba gave a brief and general description of the nature of the items discussed in Executive Session. It was then agreed that the discussion on Agenda Item Number 9 would be tabled to the next meeting.

The next order of business was consideration of "Promotional Spending Detail – 2017." Board member Dr. Wilmot proceeded to give an overview of the promotional spends that require Board approval, including agreements with Bloodhorse, The Thoroughbred Daily News and the New York Racing Association. Mr. Birsh noted that in conjunction with these spending authorizations, the Fund should press each of these publications to demonstrate that they are, in fact, promoting the Fund's breeding program with sufficient and appropriate content.

After some further discussion, a motion was made for approval to spend up to \$75,000 for a promotional commitment with the BloodHorse, \$100,000 for a promotional commitment with the Thoroughbred Daily News and up to \$40,000 for a promotional commitment with NYRA for Saratoga Live. This motion was duly seconded and unanimously approved.

Under New Business, Dr. Wilmot then gave a brief presentation concerning recent activities at the Zweig Fund, which the Fund supports financially pursuant to its enabling statute.

Mr. Birsh then addressed the Board concerning efforts that the Fund should consider taking to promote and support owners of New York-breds. Mr. Birsh circulated a five (5)-page Owners and Breeders Liaison Position document setting forth a specific plan to promote and support owners in New York, and asked that a committee be established to try to develop this concept for consideration at a later time. Chairman Poklemba appointed Mr. Birsh, Mr. Cannizzo and Dr. Wilmot to serve on that committee.

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