

Agriculture and NYS Horse Breeding Development
Fund

Board of Trustees Meeting

NYS Gaming Commission

Schenectady, NY

February 27, 2014

Present: Chairman, Agriculture & New York State Horse Breeding Development Fund & NYS Gaming Commissioner Barry Sample, New York State Department of Agriculture and Markets Commissioner Richard Ball, Agriculture and Markets Deputy Commissioner Jacqueline Czub, Trustees Peter Arrigenna & Mike Kimelman, NYS Gaming Commission Office of Racing Promotion and Development Charlie Diamond, Agriculture & New York State Horse Breeding Development Fund (Fund) Executive Director Mike Mullaney & Connie Richardson, Audience included: NYS Gaming Commission staff Edward Burns, Lee Park, William Sekellick, Brian Squadere, Harness Horse Breeders of New York State (HHBNYS) President David Hanson & HHBNYS Executive Director Betty Holt

The meeting was called to order at 11:23 a.m.

Agenda Item # 1 Approval minutes of last meeting of December 13, 2012:

Former Chairman John Sabini received an e-mail copy of the December 13, 2012 minutes, which he reviewed and reported no inaccuracies in the reporting of said minutes. Chairman Sample called for comments, none were offered.

A motion to accept minutes of December 13, 2012 was made by Trustee Arrigenna, seconded by Trustee Kimelman. All in favor.

Agenda Item #2. Discussion and Approval of the Proposed Contract with Harness Horse Breeders of New York

State: Executive Director Mike Mullaney proposed;

- A reduction of fees and services provided by HHB.
- The Fund will: Administer the website in 2014 The website will remain separate from the points program, which will remain with HHB.
- The knowledge base at HHB will widen and a training manual for all staff at HHB made available.
- An audit clause will be added stating within a 15 day period the Fund will have the ability to request all records pertaining to fund from the past 2 years. This request will be upon approval of the Fund Trustees.
- All other aspects of the HHB contract will remain the same as the prior year.

A motion to approve HHB contract was made by Trustee Arrigenna, seconded by Trustee Kimelman. All in Favor.

Agenda Item # 3 Discussion and Approval of the Proposed NYSS Purses; Proposed NYSS & Excelsior Schedule & County Fair Race Conditions:

Chairman Sample thanked Trustee Arrigenna for his hard work and dedication in developing the purses, schedule, and County Fair racing program for the upcoming 2014 race season.

Purses: Trustee Arrigenna gave a breakdown of purses and breeder awards to be paid out in 2014. July 1, 2013 to June 30, 2014 will be the cut off for the use of incoming money, which will help us stay on track for next year. Chairman Sample noted the budget may need to be revisited in the future if necessary.

A motion was made to approve the purses for 2014 by Trustee Arrigenna, seconded by Trustee Kimelman. All in Favor

Scheduling: Trustee Arrigenna will travel to Florida to attend the race secretary meeting to prepare the race schedule to avoid any conflicts. There will be no points earned at Goshen Historic Track races. The Night of Champions will be at Yonkers Raceway. The Excelsior Finals will be held at Vernon Downs, which will also promote the Morrisville horse sale. The County Fair Finals will be held at Monticello Raceway.

A motion was made to approve the scheduling by Trustee Arrigenna, seconded by Trustee Kimelman All in Favor

Conditions:

NYSS No. 55 changes: Any payment due dates that fall on a weekend or holiday will automatically become due on the next regular business day. Supplementary payment date will be moved from February 15th to March 1st. When an owner has an outstanding debt owed to any track, every horse owned in whole or part by that owner may be subject to be declared ineligible by any track the horse is entered and subject to be possibly scratched by the judges and not allowed to start in any New York Sire Stake Race including County Fair Races until such time that debt and all fees are collected.

Yearling eligibility: # 3-must be registered with the United States Trotting Association (USTA) or a USTA recognized Standardbred registry at time of nomination. A copy of the USTA or USTA recognized Standardbred registration certificate, dated on or before the time of nomination must accompany each nomination.

Excelsior Changes: If a horse races in Excelsior "B" series they may move up at any time. However, if a horse moves up from the Excelsior "B" to NYSS # 53 or the NYSS # 54 or the Excelsior "A" series they may NOT go back down to the Excelsior "B" thereafter for the race year 2014. There will be no points and no final for Excelsior "B" events. When an owner has an outstanding debt owed to any track, every horse owned in

whole or part by that owner may be subject to be declared ineligible by any track the horse is entered and subject to be possibly scratched by the judges and not allowed to start in any New York Sire Stake Race including County Fair Races until such time that debt and all fees are collected.

County Fairs condition changes: # 3 A supplementary fee may be made in the event the horse was not nominated as a yearling. The fee is \$50.00, payable no later than March 1, 2014 for two year olds and three year olds in 2014. This payment must be made in addition to the regular fair nomination fee. This does not affect any other eligibility, such as Sire Stakes or Excelsior races. This supplementary payment is for NYSS County Fair races only. When an owner has an outstanding debt owed to any track, every horse owned in whole or part by that owner may be subject to be declared ineligible by any track the horse is entered and subject to be possibly scratched by the judges and not allowed to start in any New York Sire Stake Race including County Fair Races until such time that debt and all fees are collected.

A motion was made to approve the conditions by Trustee Kimelman, seconded by Trustee Arrigenna

Agenda Item # 4 Memorandum of Understanding between the New York State Gaming Commission & the Agriculture & New York State Horse Breeding Development Fund:

The MOU, by statute, shall be between the Agriculture & New York State Horse Breeding Development Fund and the Gaming Commission. It shall provide support in administering the Fund. The Fund will utilize the services of the Gaming Commission as well as pay the Gaming Commission a pro-rata share of the Commission's rent based on the square footage of space utilized by the Fund. The Fund will also pay a fee for the use of service employees. The MOU establishes the chain of command within the Fund. Mike Mullaney (executive director) of

the Fund shall report to the Fund Board. Charlie Diamond of the Gaming Commission shall report to Rob Williams of the Gaming Commission. Mr. Diamond will act as facilitator to the Fund. Mr. Mullaney will report to Mr. Diamond on a daily basis all hours and rate of pay used by service employees. The use of service employee will be central services dedicated to the advancement of the NYSS program. The Gaming Counsel Ed Burns stated the MOU will remain in place until either side terminates.

A motion was made to approve the Memorandum of Understanding by Trustee Arrigenna, seconded by Trustee Kimelman. All in Favor

Agenda Item # 5 Approval of Redesign of the Breeders

Awards: A proposal has been offered to adjust the formula for Breeders Awards with the goal of boosting the fortunes of New York breeders without creating a chilling effect that might sour out of state breeders on breeding in New York. If adopted, beginning with those mares that are bred to NY stallions in 2014, the accent would shift away from performance awards and would fall on residency awards. This shift is meant to encourage breeders to keep their mares in New York for 180 days required to qualify for the award. From 2014 until 2017 Breeders Awards will be split 50-50 based on performance and performance/residency. Beginning in 2017, when the offspring of mares bred in 2014 will be 2 years old, entering racing age, the Breeders Award program will shift 100% in favor of performance/residency awards. The gradualism to the proposal is meant to encourage those out of state breeders to further consider joining the ranks of New York resident breeders.

A motion was made to approve the redesign of breeder's awards by Trustee Arrigenna, seconded by Trustee Kimelman. All in Favor.

Agenda Item # 6 Approval of the 2014 NYSS Budget:

- The 2014 revenue budget was \$16.665 million compared to the 2013 budget of \$13.550 million.
- The 2014 expense budget was \$16.665 million compared to the 2013 budget of \$20.082 million.
- The 2014 administrative budget was \$918,027 compared to \$894, 622 of 2013 actual administrative costs.
- It had been determined that the budget deserves a separate discussion by May 1st. An October meeting was planned.
- All money coming in after June 30th will go toward next year's purses.
- The Fund receives 1.25% of the VLT revenue generated from the seven harness tracks. This money belongs to the fund and will be distributed towards the track's purses at the discretion of the Fund.

A motion was made to approve the 2014 Budget by Trustee Arrigenna, seconded by Trustee Kimelman All in Favor.

Agenda Item # 7 Approval of Policies:

The Fund wishes to adopt policies in line with those of other state public-benefit corporation, agencies and commissions.

Questions were raised on two of the items, which were record retention of emails and grant awards.

It was noted record keeping of emails would be the same length of time as all hard copy record retention. Presently all emails are backed up on the server for the mandatory length of time. It was noted all Grant awards must have the approval of the Fund Trustees. The language "sole authority" of the executive Director will be removed from the wording.

A motion was made to approve policies by Trustee Arrigenna, seconded by Trustee Kimelman. All in Favor.

Agenda Item # 8 Expenditures:

A request of \$13,950.00 for the United States Trotting Association to cover costs for meals and educational material for the 2014 driving school at the Harness Racing Museum in Goshen was made.

A motion was made to approve by the request from USTA by Trustee Arrigenna, seconded by Trustee Kimelman. All in Favor.

There is no vision coverage included in the health care package for the Fund employee. There is a request to add eye vision benefits to the health care package. A motion was made to approve vision coverage by Trustee Kimelman, seconded by Trustee Arrigenna. All in Favor

The Harness Racing Update. Harness Racing Update is an internet Standardbred news service which provides advertising, handicapping analysis, video replay and entries/re results from harness tracks across the USA.

A motion was made to approve \$12,900.00 to The Harness Racing Update by Trustee Kimelman, seconded by Trustee Arrigenna. All in Favor.

The Fund is audited internally and externally on an annual basis. Valles & Vendiola LLP, audited the Funds' 2012 financial books and are listed in the state's Minority & Business Enterprise Directory. They also submitted the lowest bid. A motion was made to approve the bid by Trustee Arrigenna, seconded by Trustee Kimelman. All in Favor.

The Hemlock Lake Grant for improvements to the museum and grounds was made.

A motion was made to approve the Hemlock Lake Grant \$2,500.00 by Trustee Kimelman, seconded by Trustee Arrigenna. All in Favor.

The Fund plans to increase exposure by contracting with a correspondent who will provide stand bred news articles and updates for the 'Fund', from May through the final Night of Champions event on September 13th.

It was noted that this item is worthy of further discussion and should be tabled till May. Members agreed to table this item.

The New York State Association of Agricultural Fairs, Inc. requested funding for their 2014 brochures. The brochures provide an image of harness racing and will indicate county fairs that provide harness racing.

A motion was made to approve a payment for \$5,200.00 for The New York State Association of Agricultural Fairs, Inc. brochures, by Trustee Kimelman, seconded by Trustee Arrigenna. All in Favor.

Racing Under Saddle, a sport featured among Standardbred horse and horseman, where the horses trot, and riders in the saddle replace the sulky. Racing under Saddle is requesting funds to provide races at six fairs.

A motion to fund Racing Under Saddle was approved for \$4,000.00 by Trustee Kimelman, seconded by Trustee Arrigenna. All in Favor.

Agenda Item #9 County Fair Proposed Rule # 38 & County Fair Reimbursement Policy for 2014:

Rule # 38 covering county/town fairs and agricultural societies, is as follows: Be it resolved that only fairs conducting harness racing under rules prescribed by the Agriculture and New York State Horse Breeding Development Fund be allowed to participate in the repair-reimbursement program. Each qualified county fair that conduct an approve harness-racing program shall be eligible to receive a sum not to exceed \$6,000.00 for amounts expended for repairs of grounds and buildings 25% of the sum is specifically designated for improvements to the race

track, horse barns and other harness racing facilities. Each qualified fair is also eligible to receive \$2,000.00 to help defray the cost of administration of the racing program. It was noted this rule has not changed from 2013.

A motion was made to approve the County Fair Propose Rule # 38 & County Fair Reimbursement Policy for 2014 by Trustee Kimelman, Seconded by Trustee Arrigenna. All in Favor.

At this time, New York State Department of Agriculture and Markets Commissioner Richard Ball was excused from the board meeting.

Discussion Items:

Rule Promulgation: The Fund endeavors to organize and update the language of current rules, regulations and laws by which the fund and the Standardbred industry is governed. This is the first step toward rule promulgation which must include industry comment. It was decided rule promulgation would be taken up at our next session.

Zweig Fund: The Fund is statutorily mandated to create an account in which 2% of its annual revenues are designated for “equine research.” The Fund has been a major contributor to Cornell University’s Zweig Memorial Fund. The Zweig Fund conducts a variety of research. It is important to note that the Fund contributed \$313,172.16 to the Zweig Fund in 2013. By Statute, the money is provided quarterly.

Batavia Downs Proposal with Genesee County:

Batavia Downs hosted the Livingston County Fair races in 2013. Batavia Downs management has informed the Fund that it plans to enter into negotiations with Genesee County Fair management to host races in 2014. If Genesee County & Batavia Downs come to terms the Fund will decide the distribution of the annual property improvement reimbursement.

A motion was made to approve the fair date by Trustee Kimelman, seconded by Trustee Arrigenna. All in Favor

Ten Year Leases:

When the lease rules were promulgated the rules and regulations concerning ten year leases were neglected. Every other state in this business including thoroughbreds has one year leases. HHBNYS Executive Director Betty Holt noted HHBNYS & the NY Farm Bureau are working to have the 10 year lease statute changed to a one year term.

Commissioner Sample requested comment from the board regarding the statute change.

Eligibility Issue:

Mark Capone addressed the Board about a horse named Capozzo he purchased with the assumption was eligible to race in the Sire Stakes program. It was noted by Executive Director Mike Mullaney the reason the horse was disqualified from participating because the eligibility payments not made on time by the previous owner. After a brief discussion, it was determined the Fund Board needed further briefing for them to have a clear understanding of the facts. It was decided a meeting would be setup in the next week to review their findings and provide Mr. Capone a definitive answer.

There were no other comments

The next meeting was proposed for March.

A motion to adjourn was made at 2:25 p.m. by Trustee Arrigenna, seconded by Trustee Kimelman.

All in Favor.