



NEW YORK Thoroughbred Breeding & Development Fund

presenting:

THE NEW YORK
BREEDING & RACING
PROGRAM

**New York Thoroughbred Breeding and Development Fund
19 Roosevelt Drive-Suite 250
Saratoga Springs, NY 12866**

June 28, 2010

Dear Program Participants:

New York City Off-Track Betting Corporation (NYC OTB) recently announced that it would “defer” its statutorily required payments to the Breeding Fund that relate to out-of-state handle and breakage. This “deferral” will result in a shortfall in payments to the Breeding Fund of more than \$200,000 per month, or roughly 64% of the Breeding Fund’s monthly payments from NYC OTB. In response to this unexpected action by NYC OTB, the Fund’s Board of Directors was left with the difficult decision to initiate a “Special Holdback” in order to ensure a more equitable distribution of awards for the remainder of 2010. Subsequently, the Fund Board members adopted a resolution at the June 24 meeting providing for the establishment of the Special Holdback. The resolution provided:

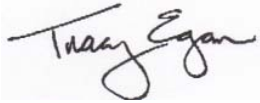
Due to this temporary decline in Fund revenues, effective for all awards earned on or after July 1, 2010, in addition to the 30% Regular Holdback (the “Regular Holdback”), the Breeding Fund shall apply a Special Holdback of up to 20% on the payment of awards (a “Special Holdback”), provided that to the extent the Breeding Fund has monies on hand at the end of the year to make distributions, and consistent with applicable statutory caps, all Breeding Fund participants who are adversely affected by the application of the Special Holdback shall be paid first, up to the amount of the Special Holdback, before any portion of the Regular Holdback is distributed.

It is the hope of the Board of Directors of the Breeding Fund that this Special Holdback will facilitate a fairer and more equitable distribution of awards to Breeding Fund participants throughout the remainder of the year. Were this action not to be taken, there was substantial concern that there could be insufficient Fund revenue in the latter part of 2010 to pay any awards. This action taken by the Fund will ensure that awardees continue to receive a partial payment while NYC OTB resolves its financial problems. As you may know, NYC OTB failed to pay the Fund more than \$2.1 million in 2009, money that is still caught up in NYC OTB’s bankruptcy petition. Upon filing for bankruptcy protection, NYC OTB pledged to stay current with payments to creditors, including the Breeding Fund. While NYC OTB kept that promise through March 2010, beginning in April it unilaterally decided to “defer” its out-of-state payment obligations to the Breeding Fund, resulting in this revenue shortfall for the Fund and the need for our action.

It is our sincere hope that as NYC OTB resolves its financial problems, we will be in a

position to distribute both the Special Holdback and the Regular Holdback monies that Breeding Fund participants have earned.

With respect,

A handwritten signature in black ink that reads "Tracy Egan". The signature is written in a cursive style with a prominent loop at the end of the name.

Tracy Egan
Executive Director
New York State Breeding and Development Fund