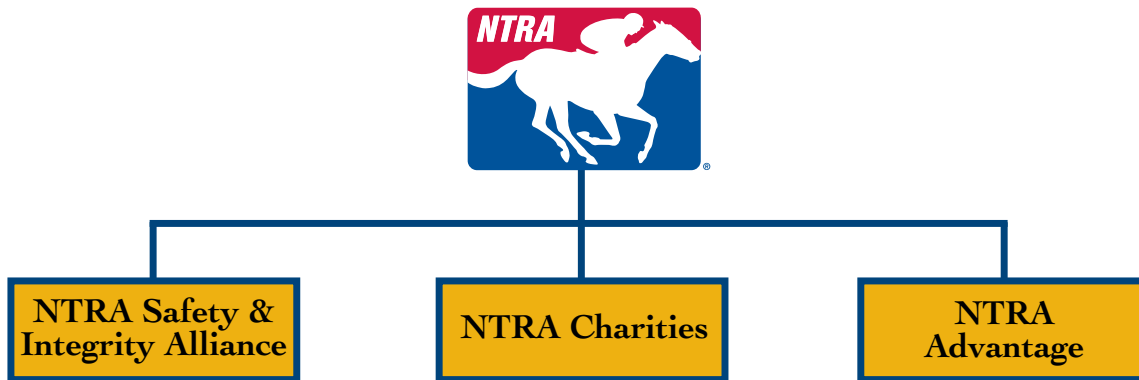


NTRA ANNUAL REPORT to the MEMBERSHIP

| 2009-2010



ORGANIZATION STRUCTURE



NTRA Safety and Integrity Alliance

Establishes standards and practices to promote safety and integrity in horse racing and secures their implementation.

NTRA Charities, Inc.

Promotes and supports charities in or related to the Thoroughbred industry.

NTRA Advantage, LLC

Delivers cost reductions and efficiencies to NTRA members and associated member organizations through group purchasing.

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MESSAGE from the NTRA PRESIDENT and CEO



May 10, 2010

The year 2009 will be remembered as one of the most challenging for our industry.

A continued global recession produced additional declines in pari-mutuel wagering, purses and

prices paid for horses sold at public auction – three bellwether statistics for our industry.

The economic news notwithstanding, racing fans turned out in droves to witness unforgettable performances by the likes of Mine That Bird, Summer Bird, Lookin at Lucky and, of course, future Hall of Famers Zenyatta and Rachel Alexandra.

For the NTRA, 2009 was a year of intense focus on the launch of the NTRA Safety and Integrity Alliance.

In its first full year of operations, the Alliance finalized an industry Code of Standards, accredited 15 racetracks and received its inaugural Report from the Independent Monitor. Produced by the Honorable Tommy Thompson and the law firm of Aiken Gump Strauss Hauer & Feld, the Independent Monitor's report praised the Alliance for its first-year accomplishments and provided a blueprint for growth in 2010. Already, the Alliance is working to imple-

ment the Monitor's recommendations for improvements and has added wagering security to its areas of focus for 2010.

The NTRA also made significant strides in marketing our sport to an increasingly online audience. With the launch in 2008 of the NTRA's Web 2.0 strategy for engaging core and casual fans online, the NTRA is now leading the way in the use of social networking and other Web-based communications vehicles.

Our goal is to not only reach a new audience but also to interact with them in whole new ways. Through our recent innovation, NTRA Live! on the NTRA Web site, we now stream live horse racing programming via the Web to fans on their computers and soon to their wireless communications devices. And NTRA.com remains a major portal for horse racing news, blogs and video as our online community of fans continues to grow.

On the legislative front, NTRA secured a six-month delay in the implementation of regulations associated with the Unlawful Internet Gambling Enforcement Act (UIGEA). As adopted, the regulations encouraged "overblocking" of online gambling transactions, even those lawfully conducted under the Interstate Horseracing Act (IHA) and clearly exempted from UIGEA. This delay will give us time to work on legislative and business-to-business strategies to ensure that online pari-mutuel wagers made in accordance with the IHA continue to be accepted and smoothly pro-

cessed by credit card companies and others in the financial services sector.

NTRA Charities capped a major initiative to fund laminitis research through the NTRA Charities – Barbaro Memorial Fund. Since inception in 2007, the Fund disbursed nearly \$400,000 in support of studies, projects and conferences focusing on finding a cure for laminitis, the disease that claimed the life of the Fund's namesake, 2006 Kentucky Derby winner Barbaro.

For 2010, the Barbaro Memorial Fund has been replaced by the Barbaro Fund for Equine Health and Safety Research. The new Barbaro Fund will help underwrite research projects to further the Safety and Integrity Alliance's efforts in creating a safer racing environment for our horses. As always, we rely on the recommendations of the Grayson-Jockey Club Research Foundation and its team of veterinary experts to identify worthy research projects.

The NTRA greatly simplified its income statement and balance sheet in 2009 by eliminating debt associated with the acquisition of certain television rights and assets from Winnercomm in conjunction with the creation of NTRA Productions in the early days of the NTRA. NTRA also accelerated its efforts to operate on a balanced budget, a goal that we expect to achieve in 2010, a full year before the implementation date established by the NTRA's Finance Committee in late 2007 when membership dues were reduced by 50 percent.

Whether the recession of 2008/2009 is behind us is unclear but NTRA Advantage sales are already showing significant signs of improvement in early 2010. Cost savings are now more important than ever and we are pleased that NTRA members are finding the NTRA Advantage program to be a great value.

Your support and participation in the NTRA's membership programs is a welcome endorsement of our efforts to improve the economics of racing and increase the popularity of our sport.

Thank you for the opportunity to serve your interests. As always, your comments and suggestions are appreciated.

Sincerely,



Alexander M. Waldrop
President and CEO

2009 BOARD of DIRECTORS

The 15-member NTRA Board of Directors consists of the NTRA CEO and seven representatives each for racetracks and for horsemen, owners and breeders.

Track director seats include representatives from three independent tracks corresponding to the Eastern, Midwestern and Western regions and four major track companies: Churchill Downs Incorporated, Keeneland Association, Magna Entertainment Corporation and the New York Racing Association.

Horsemen director seats include representatives from The Jockey Club, National Horsemen's Benevolent and Protective Association, Thoroughbred Horsemen's Association, Thoroughbred Owners and Breeders Association and Thoroughbred Owners of California. Breeders' Cup Limited has two horsemen director seats.

TRACK REPRESENTATIVES

Independent Seats

Robert N. Elliston
Turfway Park
Midwestern Region

William Fasy
Eastern Region

F. Jack Liebau, Sr.
Hollywood Park
Western Region

Racetrack Company Seats

Ron Charles
Magna Entertainment Corporation

Robert Evans
Churchill Downs Incorporated

Charles Hayward
New York Racing Association

Nick Nicholson
Keeneland Association

OWNER/BREEDER/HORSEMEN
REPRESENTATIVES

Antony Beck
Breeders' Cup Limited

Reynolds Bell
Thoroughbred Owners and Breeders Association

Robert Clay
The Jockey Club

Alan Foreman
Thoroughbred Horsemen's Association

Marsha Naify
Thoroughbred Owners of California

Satish Sanan
Breeders' Cup Limited

Joseph Santanna
Horsemen's Benevolent and Protective Association

NTRA PRESIDENT AND CEO

Alexander M. Waldrop

NTRA CORPORATE OFFICERS

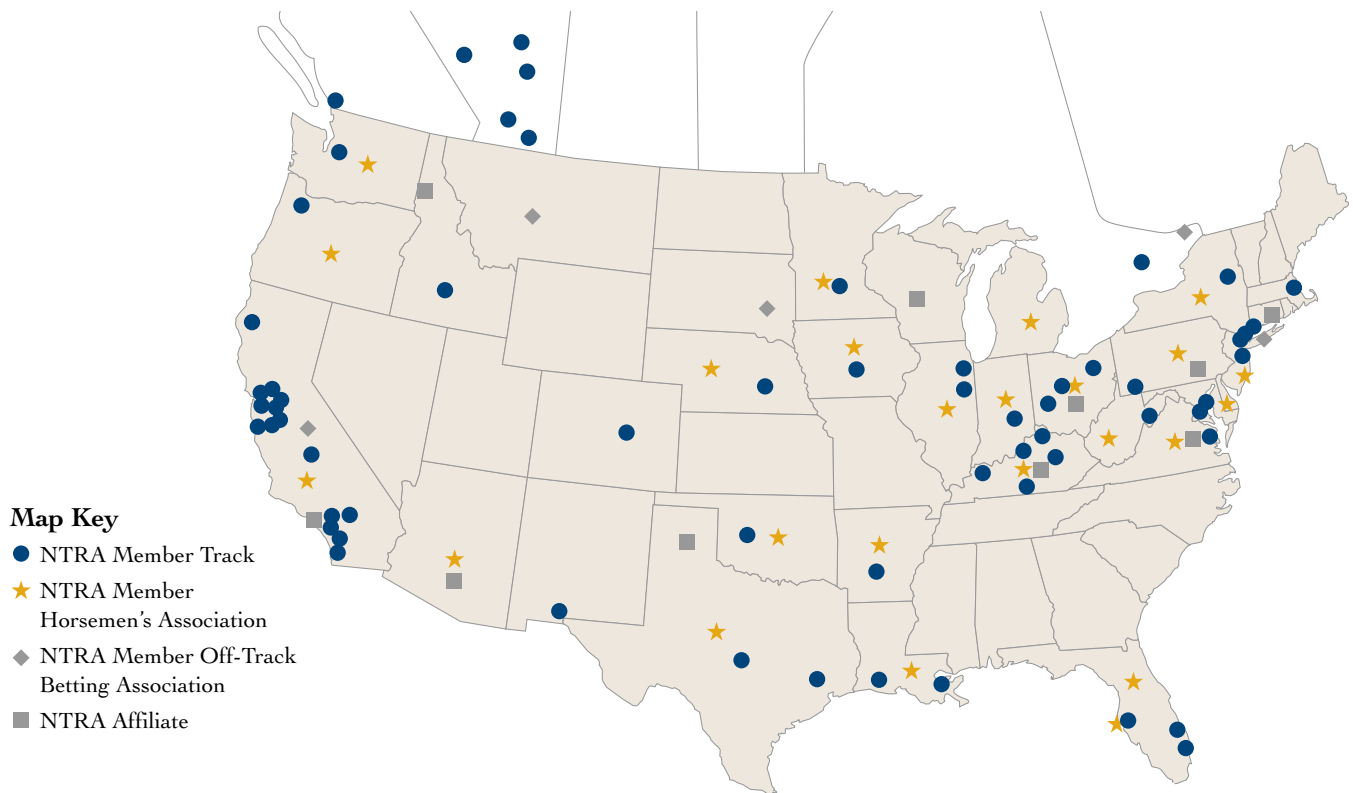
Robert N. Elliston
Executive Chairman

Alexander M. Waldrop
President and CEO

Robert Watt
Secretary

Vicki L. Baumgardner
Treasurer

2009 MEMBER ORGANIZATIONS and AFFILIATES



Founding Members

Breeders' Cup Limited
Keeneland Association
National Thoroughbred Association
Oak Tree Racing Association
The Jockey Club
Thoroughbred Owners and Breeders Association

Special Member

Television Games Network

Horsemen's

Associations

Kentucky Thoroughbred Association
National HBPA, Inc.
• Arizona HBPA
• Arkansas HBPA
• Charles Town HBPA
• Florida HBPA
• Indiana HBPA
• Iowa HBPA
• Kentucky HBPA
• Louisiana HBPA

• Michigan HBPA
• Minnesota HBPA
• Nebraska HBPA
• Ohio HBPA
• Oklahoma HBPA
• Oregon HBPA
• Pennsylvania HBPA
• Tampa Bay HBPA
• Virginia HBPA
• Washington HBPA

National THA

• Delaware THA
• Illinois THA
• Maryland THA
• New Jersey THA
• New York THA

Pacific Quarter Horse Racing Association
Thoroughbred Owners of California

Affiliates

American Driving Society
American Horse Council
American Quarter Horse Association

Appaloosa Horse Club
Equine Canada
American Association of Equine Practitioners
American Farriers Association
Farriers & Hoofcare Resource Centers
Harness Tracks of America

National Steeplechase Association
National Walking Horse Association
Rocky Mountain Horse Association
United States Equestrian Federation
United States Polo Association

United States Rider Association
United States Trotting Association

Racetracks

CALIFORNIA
California Authority of Racing Fairs

Del Mar
Fairplex Park
Golden Gate Fields
Hollywood Park
Oak Tree Racing Association
Santa Anita Park

CANADA

Hastings Racecourse
Woodbine Entertainment Group

DELAWARE

Delaware Park

FLORIDA

Calder Race Course
Gulfstream Park
Tampa Bay Downs

ILLINOIS

Arlington Park

IOWA

Prairie Meadows

KENTUCKY

Churchill Downs
Keeneland

Kentucky Downs
Turfway Park

LOUISIANA

Fair Grounds
Harrah's, Louisiana Downs

MARYLAND

Laurel
Pimlico

MASSACHUSETTS

Suffolk Downs

MINNESOTA

Canterbury Park

NEBRASKA

Horsemen's Park

NEW JERSEY

Meadowlands
Monmouth Park

NEW MEXICO

Sunland Park

NEW YORK

Aqueduct

Belmont Park
Saratoga

OHIO

Beulah Park
Thistledown

OKLAHOMA

Remington Park

OREGON

Portland Meadows

PENNSYLVANIA

The Meadows

TEXAS

Lone Star Park
Sam Houston Race Park

VIRGINIA

Colonial Downs

WASHINGTON

Emerald Downs

WEST VIRGINIA

Mountaineer Park

FINANCIAL OVERVIEW

The NTRA 2009 summary financial highlights are included below. For consolidated audited financial statements for 2009, please see pages 23 to 33. During 2009, the NTRA simplified its balance sheet and income statement by eliminating debt. NTRA also absorbed a planned operating loss stemming from an approximately 50 percent reduction in dues in 2008 along with a deficit in NTRA Advantage in 2009 related to the economic recession. Significant changes in cash during 2009 are:

Cash, cash equivalents and investments, December 31, 2008	\$ 11,893,804
Payment of debt	(3,432,915)
2009 operating deficit	(3,289,470)
All other changes, net	<u>154,744</u>
Cash, cash equivalents and investments, December 31, 2009	\$ <u>5,326,163</u>

During the first quarter of 2009, the NTRA settled debt for \$3,432,915 that originated in the initial years of the NTRA and was associated with the acquisition of certain television rights and assets.

NTRA also absorbed a 2009 operating deficit of \$3,289,470. In late 2007 the NTRA Board of Directors approved a significant reduction in membership dues and planned for operating deficits in 2008, 2009 and 2010. Over the three-year period 2008-2010, the NTRA anticipated that the NTRA Advantage program would continue to grow and support programs while the membership dues were reduced, thereby balancing the operating changes to a breakeven by 2010. The recession of 2008/2009 resulted in declines in NTRA Advantage that required a greater amount of cash reserves than expected be used to support programs, particularly in 2009. In spite of challenges in 2009, a breakeven budget has been set for 2010, a year earlier than originally planned.

Highlights of 2009 net income or (expense) by program area are:

	<u>2009</u>
Membership	\$ 4,672,832
Safety and Integrity Alliance	(512,442)
Legislative	(1,208,555)
Marketing and media	(1,953,902)
Television	(1,589,521)
NTRA Advantage	(313,524)
Other personnel costs	(910,338)
General, administrative and other, net	<u>(1,474,120)</u>
Net operating deficit	\$ <u>(3,289,470)</u>

NTRA SAFETY and INTEGRITY ALLIANCE

The NTRA Safety and Integrity Alliance promotes safety and integrity in horse racing through a Code of Standards and works with industry stakeholder groups and regulators to secure the Code's implementation.

The Alliance is modeled after self-regulating organizations in other industries such as health care and education that operate under a high degree of federal and state regulatory oversight.

The Honorable Tommy G. Thompson and the Washington, D.C., law firm of Akin Gump Strauss Hauer & Feld, serve as independent counsel to the Alliance and monitor the industry's progress toward standard-setting and compliance.

The first "Report of the Independent Monitor" was released in December 2009. The report cited the successful implementation of several safety improvements at accredited racetracks throughout North America and praised the Alliance for its sharing of best practices from track to track and for raising awareness of the industry's resolve in dealing with safety and integrity issues.

The monitor's suggestions for improvement included the development of a mechanism to ensure sustained compliance, the creation of incentives to compel more tracks to seek accreditation, and better programs to educate the public about specific improvements made at racetracks.

In 2010, the Alliance will launch a media campaign to increase public awareness of the Alliance and accredited tracks; enable public comment on the Code of Standards;

establish a compliance hotline to report instances of non-compliance with Alliance standards; perform random audits of accredited facilities; and continue efforts to expand the list of accredited facilities.

The Alliance accredited 15 facilities in its first year of operations and expects to have more than 30 accredited tracks by the end of 2010. The Alliance tests for proficiencies in the following areas:

- Systematic reporting of equine injuries
- Programs for racehorses in transition to second careers
- Pre- and post-race veterinary examinations for racehorses
- Post-mortem examinations of catastrophically injured horses
- Safety research
- Safety equipment and procedures
- Drug testing programs
- On-track emergency medical care for humans and equines
- Out-of-competition testing
- Freezing and retrospective testing of post race samples
- Continuing education
- Security assessment and training

New in 2010, the Alliance will add wagering security protocols to the Code of Standards.

For more information on the Alliance, visit www.NTRAalliance.com.



Turfway Park receives its Alliance flag after being accredited in 2009. Left to right: Alex Waldrop; Chip Bach, Turfway's director of operations; Bryce Peckham DVM, Kentucky state vet; John Veitch, Kentucky chief state steward; Nick Nicholson, president of Keeneland, part owner of Turfway; and Robert Elliston, president of Turfway.

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Woodbine became the first Canadian track to receive accreditation from the NTRA Safety & Integrity Alliance.

LEGISLATIVE

The NTRA uses federal legislative advocacy to address issues of national importance that impact the pari-mutuel horse racing and wagering industries. Horse PAC, the NTRA's connected political action committee, raises voluntary contributions from NTRA members to support federal political candidates and parties.

In 2009, the NTRA secured introduction of two pieces of federal legislation aimed at improving the consumer experience of pari-mutuel horseracing.

"The Pari-mutuel Conformity and Equality Act" (H.R. 2140) would eliminate the automatic federal tax withholding on pari-mutuel winnings of \$5,000 or more at odds greater than 300-1. Among consumers who participate in some form of gambling entertainment, only horseplayers are subject to automatic federal withholding on their winnings.

"The Internet Poker and Game of Skill Regulation, Consumer Protection and Enforcement Act" (S.1597) would reinforce an existing statute for pari-mutuel horseracing, the Interstate Horseracing Act, which authorizes online pari-mutuel wagering on horseracing. For new entrants into

the market for online betting, S. 1597 would offer consumer protections, respects states' rights and ensure that domestic U.S. industries – including the horseracing industry – are allowed to participate fully and with equal opportunity in future Internet gaming markets.

With the American Horse Council, the NTRA supports Congressional education programs on issues such as agricultural matters and immigration, which affect the horse industry as a whole. NTRA also participates in the H-2B Workforce Coalition, a consortium of industry associations throughout the United States that have joined together to protect American workers by ensuring that American small and seasonal employers have access to legal short-term temporary workers during peak business periods.

NTRA's legislative programs are funded in part by voluntary contributions raised through the Legislative Action Campaign. The LAC consists of the ¼% Sales Check-off program for buyers, sellers and consignors and The Foal Fund for owners and breeders.





INDUSTRY PROGRAMS

The NTRA participates in a wide range of industry programs and initiatives. The association is a stakeholder in the following industry organizations and initiatives:



The Racing Medication and Testing Consortium, whose mission is to develop, promote and coordinate, at the national level, policies, research and educational programs that seek to ensure the fairness and integrity of racing and the health and welfare of racehorses and participants, and to protect the interests of the racing public;



The American Horse Council, which serves to promote and protect all horse breeds, disciplines and interests by communicating with Congress, federal agencies, the media and the horse industry as a whole;



The Unwanted Horse Coalition, whose goal is to reduce the number of unwanted horses and to improve their welfare;



The International Federation of Horseracing Authorities, whose purpose is to promote good regulation and best practices on international matters pertaining to pari-mutuel horse racing; and



The Racing Officials Accreditation Program, which strives to enhance integrity in the pari-mutuel racing industry by accrediting and providing continuing education for stewards, judges and racing officials.



The Eclipse Awards, which honor racing's annual champions and outstanding media coverage of horseracing.



Champions of 2009

Horse of the Year & Champion
Three-Year-Old Filly: Rachel Alexandra



Two-Year-Old Male: Lookin At Lucky



Two-Year-Old Filly: She Be Wild



Three-Year-Old Male: Summer Bird



Jockey: Julien Leparoux



Steeplechase Horse: Mixed Up



Apprentice Jockey:
Christian Santiago Reyes



Older Female: Zenyatta



Older Male & Male Turf Horse: Gio Ponti



Female Sprinter: Informed Decision



Male Sprinter: Kodiak Kowboy



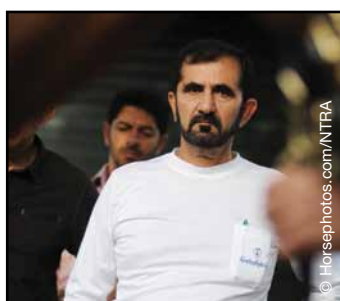
Breeder: Juddmonte Farms



Female Turf Horse: Goldikova (IRE)



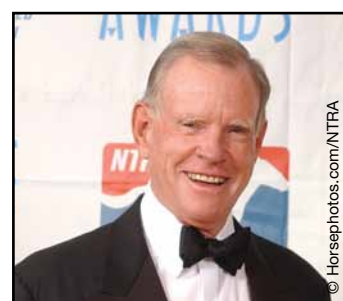
Special Award: Monique Koehler



Owner: Godolphin Racing



Trainer: Steve Asmussen



Award of Merit: William S. Farish, Sr.

MARKETING and MEDIA

NTRA uses a variety of marketing platforms to reach its target audiences: horseplayers and emerging racing fans. They include:

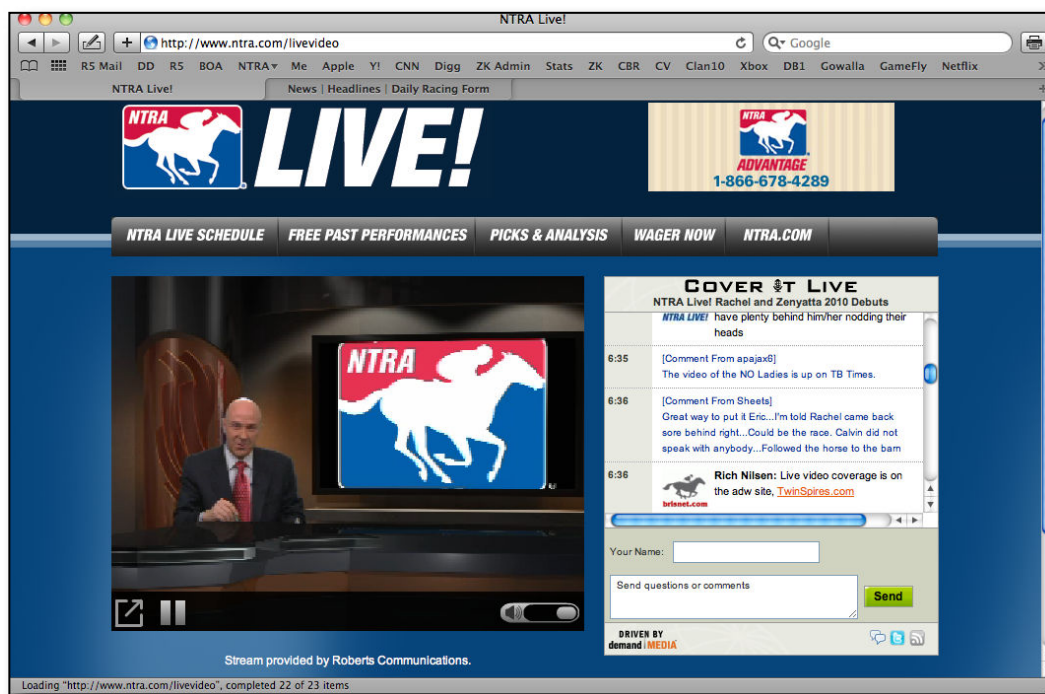
- Production of high-quality TV, radio, print, billboard and Internet-related advertising. The radio advertising campaign has won numerous national and international awards;
- Customized Web 2.0 co-op programs;
- National consumer research conducted every year for more than a decade;
- Customer service best practices manual and video;
- Fan education materials, including brochures, videos and other materials;
- Public Service Announcements (PSAs) promoting the agribusiness behind our sport; and
- Live video streaming of major races on NTRA.com

Two horse racing networks, TVG and HRTV, offer televised horse racing and interactive wagering for both

new and experienced horseplayers throughout the year. NTRA Special Member TVG offers programming on the DISH Network, DIRECTV and select cable systems. HRTV, a joint venture owned by NTRA members Magna Entertainment Corporation and Churchill Downs Incorporated, offers live racing content from some 70 tracks through TrackNet Media Group.

The \$1 million *Daily Racing Form*/NTRA National Handicapping Championship (NHC), unites horseplayers from around the country for a weekend handicapping tournament at Red Rock Casino, Resort and Spa in Las Vegas.

The NTRA's National Handicapping Championship Tour identifies the best qualifying tournament players and links them to the NHC. The Tour offers added prize money and a \$2 million bonus.





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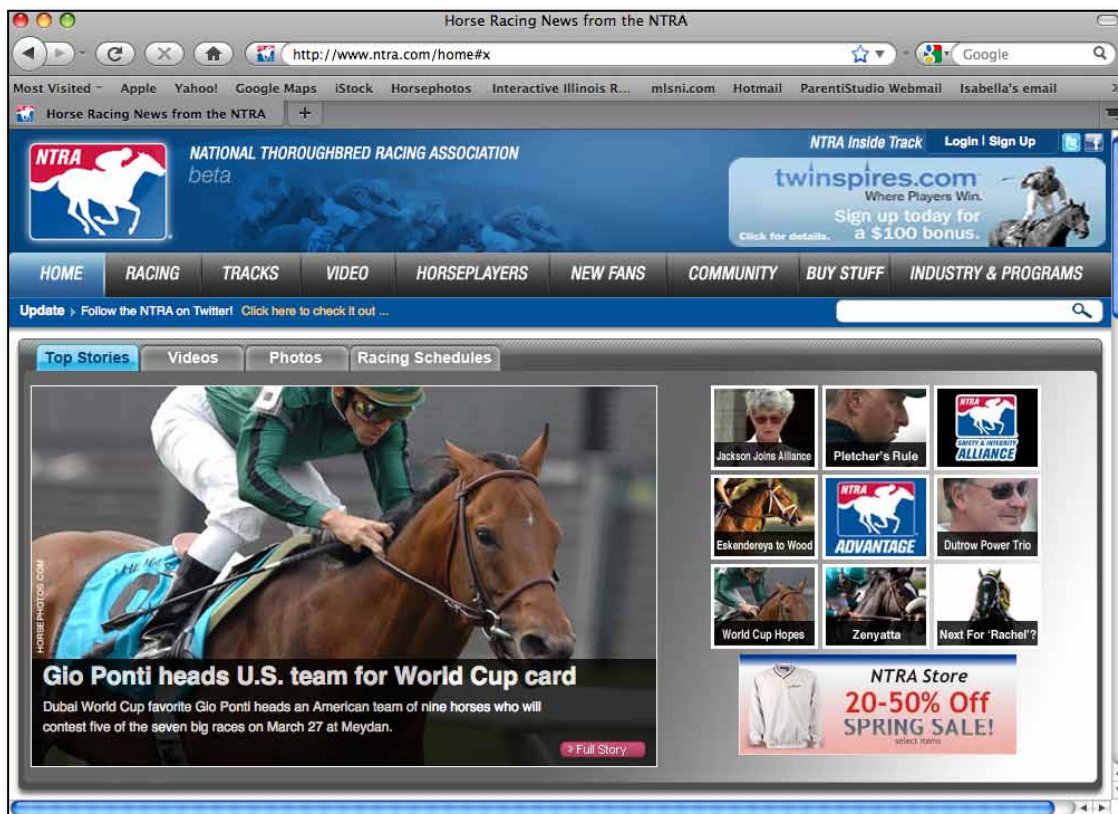
National Handicapping Championship, Red Rock Casino & Resort, Las Vegas, NV.
The two-day Championship attracted 301 handicappers in 2010.

NTRA.COM

NTRA engages horse racing fans at every level through NTRA.com, a leading portal for horse racing information and the number one site listed when individuals Google Thoroughbred racing.

NTRA.com was re-launched in 2010, with the following enhancements:

- Greater emphasis on Web 2.0 initiatives and overall fan engagement;
- Webcasting platform to provide high quality, live Internet streaming of key races leading to the Triple Crown and Breeders' Cup World Championships. Race replays of virtually all graded stakes also are available;
- NTRA-branded, fully embedded fantasy racing game that allows fans to breed, own, train and race a stable of Thoroughbreds;
- Revised and updated fan education platform to complement the fantasy racing game; and
- Online memorabilia store where fans can purchase photos of current and past Thoroughbred superstars as well as autographed memorabilia.



NTRA COMMUNICATIONS

NTRA Communications handles public relations for the NTRA and serves as the media's primary information resource on matters pertaining to horse racing.

NTRA Communications pitches story ideas to local, regional and national media to keep horse racing in the mainstream and entertainment media.

To help maximize horse racing coverage, NTRA Communications schedules regular meetings with top editors at key media outlets including the *New York Times*, *USA Today*, *Washington Post*, *Los Angeles Times*, *New York Daily News*, *Louisville Courier-Journal*, *Lexington Herald-Leader*, ESPN and *Sports Illustrated*.

NTRA Communications hosts weekly teleconferences for the news media. These hour-long sessions attract between 20 and 70 media representatives from outlets large and small. When breaking news dictates, teleconferences are held at a moment's notice.

NTRA Communications also provides on-site media assistance to NTRA member organizations and individuals, including owners and trainers in the media spotlight, and serves as an industry spokesman on national issues.



NTRA Communications hosted numerous teleconferences and media events for 2009's major newsmakers, including Kentucky Derby-winning trainer Chip Woolley, multiple stakes-winning jockey Calvin Borel and the connections of eventual Horse of the Year Rachel Alexandra.

NTRA CHARITIES

NTRA's non-profit, 501 (c)(3) subsidiary, NTRA Charities, is a publicly supported charity that promotes and supports charities in or related to the Thoroughbred industry.

In 2009, the NTRA Charities – Barbaro Memorial Fund supported the AAEP Foundation Equine Laminitis Research Workshop, where nearly 50 researchers and laminitis experts from around the world met to prioritize future laminitis research needs.

In consultation with the Grayson-Jockey Club Research Foundation, the Fund contributed \$134,707 in 2010 to the following research projects and programs dedicated to the study of laminitis:

- In Vivo Gene Transfer for the Treatment of Laminitis/
Dr. Dean Richardson, University of Pennsylvania;
- Endotoxemia as a Predisposing Factor for Laminitis/
Dr. Nicholas Frank, University of Tennessee; and

- Barbaro Fund for Laminitis Research/University of Pennsylvania.

Since its inception in 2007, the NTRA Charities – Barbaro Memorial Fund disbursed almost \$400,000 in support of scientific conferences, research programs and a half-dozen research projects, all focused on finding a cure for laminitis, the painful and often fatal hoof disease that plagued the late Kentucky Derby winner Barbaro for so much of his recuperative period following his injury in the 2006 Preakness Stakes.

To continue Barbaro's legacy, the NTRA Charities – Barbaro Memorial Fund was renamed the Barbaro Fund for Equine Health and Safety Research in 2010. The new Barbaro Fund is the primary fundraising arm of the NTRA Safety and Integrity Alliance for equine health and safety research.





Pfizer Animal Health has been a major supporter of the Barbaro Fund since its inception, ensuring the continuation of his legacy to equine medical research.



NTRA ADVANTAGE

NTRA Advantage, a for-profit subsidiary of the NTRA, facilitates sales of products and services from leading suppliers to the one million members of the NTRA. With sales in 50 states and Canada, Advantage is a national group purchasing program that leverages the buying power of the entire horse industry.

Advantage partners include John Deere, UPS, Sherwin-Williams, Office Depot, Toshiba, Equine Travel Advantage and Hallway Feeds. In 2009, Advantage added Wells Fargo Insurance Services, OfficeMax Impress, United Networks of America Rx Card and The Herald Printing Co. to its partner roster.

As part of its commitment to “green” technologies and products, NTRA Advantage entered into partnership with Three Seconds to Oil (TSTO) in 2009. Georgia-based TSTO converts stall muck or any carbon-based product such as grass or paper into a liquid bio-fuel. A TSTO manure digester can reduce a racetrack’s muck removal costs by nearly 75 percent immediately and by 100 percent by the end of the first year of operation.

NTRA Advantage will assist TSTO in placing its equipment at equine facilities nationwide. The first TSTO machine was sited at NTRA member track Keeneland in spring 2010.



American Stalls President Susan Herrera-Parks and NTRA President and CEO Alex Waldrop participated in a ribbon-cutting ceremony in May 2010, during which NTRA welcomed American Stalls as its newest Advantage partner.



Office DEPOT

TOSHIBA



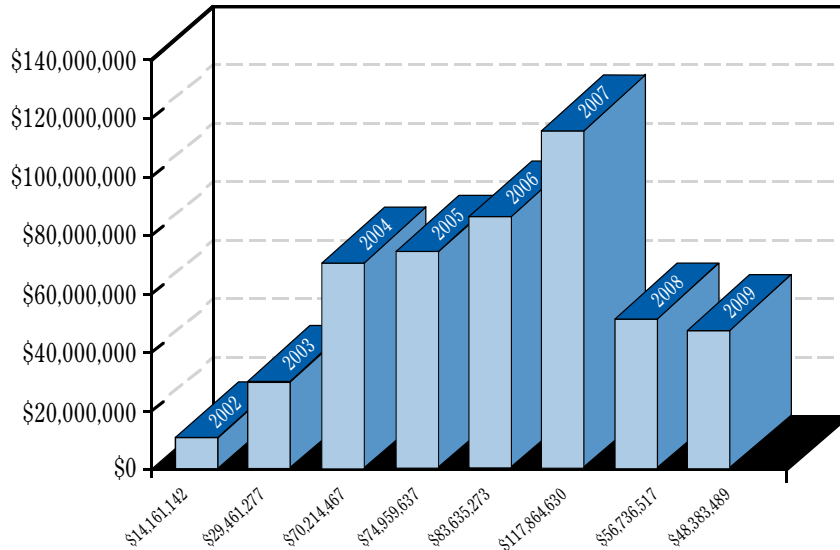
American Stalls

*Helping members
secure healthcare*



NTRA ADVANTAGE

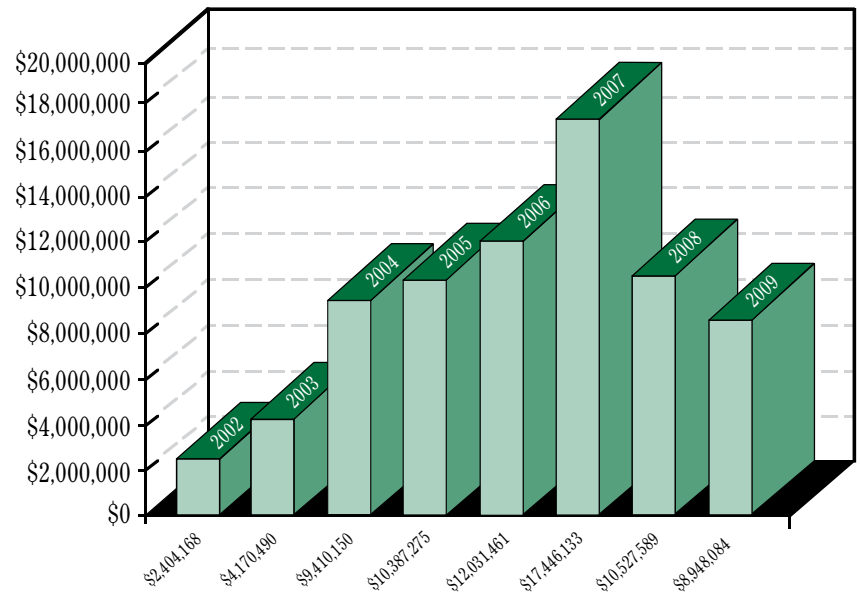
Sales



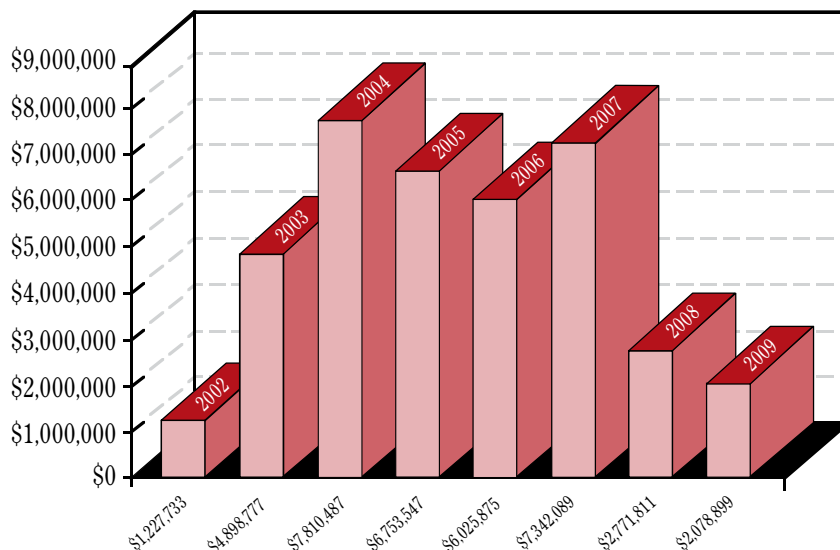
After six consecutive years of record growth, sales of marketing partner products declined during the 2008/2009 global recession.

Savings to Members

NTRA Advantage has delivered \$75 million in savings to NTRA members since 2002.



Revenue to NTRA



NTRA Advantage has contributed more than \$38.5 million toward NTRA membership programs and services.

A FINAL WORD

In challenging years like the one that has just passed, racing need look no further than itself to see an inspiring display of resilience and resolve.

Racing fans and industry participants alike were fortunate to share in moments like Rachel Alexandra's coronation as Horse of the Year, Zenyatta's electrifying victory in the Breeders' Cup Classic, and brilliant performances by Champion Summer Bird and the gritty Mine That Bird.

For many in our industry, memories of these and other great performances in 2009 will be tinged by less-welcome recollections of an economic correction in the bloodstock market, a reduced foal crop and a contraction in pari-mutuel wagering to levels not seen in years.

At the same time, racing took a collective leap forward with the implementation of the NTRA Safety and Integrity Alliance Code of Standards, a legacy whose benefits to the industry will continue to grow each year.

As 2010 unfolds, we at the NTRA welcome the opportunity to serve you, our members, as we work together to renew and reshape racing for our fans, stakeholders and most important, our horses.

As always, we thank you for your support and welcome your comments.



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National Thoroughbred Racing Association, Inc. and Subsidiaries

**CONSOLIDATED FINANCIAL STATEMENTS and
OTHER FINANCIAL INFORMATION**

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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National Thoroughbred Racing Association, Inc. and Subsidiaries

REPORT of INDEPENDENT AUDITORS

To the Board of Directors
National Thoroughbred Racing Association

We have audited the accompanying consolidated statement of financial position of National Thoroughbred Racing Association, Inc. and Subsidiaries (the “Association”) as of December 31, 2009, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Association’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Association as of and for the year ended December 31, 2008, were audited by other auditors whose report dated March 19, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Association as of December 31, 2009, and the consolidated results of its activities, changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

STROTSMAN & COMPANY PSC

Louisville, Kentucky
March 17, 2010

CONSOLIDATED STATEMENTS of FINANCIAL POSITION

AS OF DECEMBER 31, 2009 AND 2008

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 2,328,711	\$ 11,893,804
Investments	2,997,452	-
Funds held for others	-	4,280,832
Accounts receivable, net	1,376,828	2,367,296
Receivable from Breeders' Cup Limited	11,297	45,272
Prepaid expenses	98,735	150,653
Other assets	43,318	62,695
Property and equipment, net	143,371	208,854
Total assets	<u>\$ 6,999,712</u>	<u>\$ 19,009,406</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 2,494,415	\$ 3,545,675
Funds held for others	-	4,280,832
Deferred revenue	1,155,188	1,084,399
Current portion of long-term debt	-	1,013,832
Long-term debt	-	4,060,312
Other long-term liabilities	24,233	50,239
Total liabilities	<u>3,673,836</u>	<u>14,035,289</u>
Net assets		
Unrestricted net assets	3,325,876	4,974,117
Total net assets	<u>3,325,876</u>	<u>4,974,117</u>
Total liabilities and net assets	<u>\$ 6,999,712</u>	<u>\$ 19,009,406</u>

See accompanying notes.

National Thoroughbred Racing Association, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS of ACTIVITIES and CHANGES in NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
OPERATING REVENUES		
Membership dues	\$ 4,922,832	\$ 6,022,323
Safety Alliance	328,200	-
Advantage	2,078,580	3,556,772
Television	218,126	3,669,322
Sponsorship and promotions	1,532,734	2,236,166
Contributions	61,478	1,212,772
Other revenues	39,042	58,784
Total operating revenues	9,180,992	16,756,139
OPERATING EXPENSES		
Television	1,909,216	6,522,046
Advantage	1,462,747	2,410,335
Advertising, marketing and promotions	2,993,728	3,586,162
Legislative and regulatory programs	856,386	1,206,579
Safety alliance and racing integrity	638,376	506,449
Contributions	81,604	1,407,567
General and administrative	4,474,916	4,723,570
Depreciation and amortization	100,975	3,483,969
Total operating expenses	12,517,948	23,846,677
Operating revenues under operating expenses	(3,336,956)	(7,090,538)
NON-OPERATING INCOME (EXPENSE)		
Interest income	44,724	298,103
Other income (expense)	2,762	(19,563)
Total non-operating income (expense)	47,486	278,540
Revenues under expenses	(3,289,470)	(6,811,998)
OTHER CHANGES		
Gain on debt extinguishment	1,641,229	-
Change in unrestricted net assets	(1,648,241)	(6,811,998)
Unrestricted net assets at beginning of year,	4,974,117	11,786,115
Total net assets at end of year	\$ 3,325,876	\$ 4,974,117

See accompanying notes.

National Thoroughbred Racing Association, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS of CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenues under expenses	\$ (3,289,470)	\$ (6,811,998)
Adjustments to reconcile revenues under expenses to net cash used in operating activities:		
Loss on disposal of assets	6,175	19,563
Depreciation and amortization	100,975	3,483,969
Changes in operating assets and liabilities:		
Decrease in accounts receivable, net	990,468	2,064,711
Decrease (increase) in receivable from Breeders' Cup Limited	33,975	(6,430)
Decrease in prepaid expenses	51,918	28,456
Decrease in other assets	19,377	11,462
Decrease in accounts payable and accrued liabilities	(1,051,260)	(440,477)
Increase (decrease) in deferred revenue	70,789	(303,797)
Decrease in other long-term liabilities	(26,006)	(23,918)
Net cash used in operating activities	(3,093,059)	(1,978,458)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments	(2,997,452)	-
Purchase of property and equipment	(41,667)	(169,804)
Net cash used in investing activities	(3,039,119)	(169,804)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt	(3,432,915)	(648,058)
Net cash used in financing activities	(3,432,915)	(648,058)
Net decrease in cash and cash equivalents	(9,565,093)	(2,796,320)
Cash and cash equivalents at beginning of year	11,893,804	14,690,124
Cash and cash equivalents at end of year	\$ 2,328,711	\$ 11,893,804
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	\$ 197	\$ 674
Gain on debt extinguishment	\$ 1,641,229	-

See accompanying notes.

NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

I.] NATURE of BUSINESS and ORGANIZATION

The National Thoroughbred Racing Association, Inc. (the “NTRA” or the “Association”), is a not-for-profit membership organization incorporated in December 1997. The purpose of the NTRA is to strengthen the Thoroughbred racing industry by increasing public awareness, creating a centralized national structure, implementing comprehensive marketing strategies and enhancing the industry’s economic condition, by establishing standards and practices to promote safety and integrity in horse racing and to secure their implementation, and achieving significant revenue increases and cost reductions for its membership. NTRA, Inc., as reported on the consolidated statements of financial position and the consolidated statements of activities and changes in net assets, includes NTRA, Inc. and its wholly owned subsidiaries, NTRA Charities, Inc. (“NTRA Charities”) EquiSource, LLC (dba, NTRA Advantage, previously dba NTRA Purchasing) and NTRA Investments, LLC (“NTRA Investments”). NTRA Charities is a not-for-profit, tax-exempt charitable organization whose purpose is to promote and support charities in or related to the Thoroughbred industry. NTRA Advantage, created in January 2002, is a for-profit, limited liability company whose purpose is to deliver cost savings and value-added services to NTRA members through contracts with major national suppliers.

NTRA Investments LLC is a for-profit limited liability company that is the 100% owner of NTRA Productions, LLC. NTRA Productions, LLC is an entity created in 1999 to enter into a television contract with Winnercomm, Inc. (see note V). NTRA Investments LLC was originally 75% owned by the Association. It became a wholly owned subsidiary of the Association in April 2009 under an agreement with the previous minority owners whereby they relinquished all ownership rights.

Collectively, these consolidated entities are referred to as the “Association” within these consolidated financial statements.

MEMBERSHIP and MANAGEMENT SERVICES AGREEMENT with BREEDERS’ CUP LIMITED

In October 2000, the NTRA entered into an agreement (the “Agreement”) with Breeders’ Cup Limited (“BCL”) under which, effective January 1, 2001 and for the ten-year period ending December 31, 2010, the NTRA performed certain Membership and Management Services, defined as the performance of normal day-to-day business operations of BCL. In exchange for such services, BCL provided NTRA with a Membership and Management Services Fee.

On December 1, 2005, BCL and NTRA amended the Agreement whereby termination by BCL could occur annually after December 31, 2005 by giving written notice to NTRA no later than September 30 of each year to be effective December 31 of the subject year. On August 25, 2006, BCL provided written notice to NTRA for termination of this Agreement effective December 31, 2006.

In April 2007, NTRA and BCL agreed in principle to the terms of an Affiliation Agreement in which the two companies continued to share various resources such as personnel, office space and administrative expenses for the two years beginning January 1, 2007 and ending December 31, 2008. The agreement also set forth the methods for fulfilling sponsorship contracts under which both companies were contractually obligated and a dues structure for BCL.

II.] SIGNIFICANT ACCOUNTING POLICIES

The Association follows generally accepted accounting principles as outlined in the Financial Accounting Standards Boards *Accounting Standards Codification* (“ASC”). Significant accounting policies are as follows:

NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

PRINCIPLES of CONSOLIDATION

The consolidated financial statements include the accounts of the NTRA and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

OPERATING REVENUES and EXPENSES

Transactions that are considered by management to be ongoing and central to the strategic purpose of the Association are reported as operating revenues and operating expenses. Other peripheral transactions are reported as non-operating income (expense) on the consolidated statements of activities and changes in net assets.

RISKS and UNCERTAINTIES

A significant portion of the Association's revenue is dependent on the overall economy of the Thoroughbred industry. The consolidated financial statements and accompanying notes have been prepared in conformity with accounting principles generally accepted in the United States, which require management to make estimates and assumptions that affect the amounts reported. Actual results could vary from these estimates.

REVENUE RECOGNITION

In 2009 and 2008, the Association derived a significant portion of its revenue from the Membership Dues and NTRA Advantage fees.

Racetrack members and horsemen's association dues are recognized in the year to which the membership relates. Dues from public auction sales companies, and horse sellers and buyers participating in designated public auctions, are recognized in the year during which the sale is conducted. Other membership dues are recognized as revenue when earned according to contract terms.

Television, promotion, sponsorship and NTRA Advantage revenues are earned based upon the satisfaction of contractual terms. All cash received in 2009 and 2008 related to events occurring in 2010 and 2009,

respectively, is recorded in deferred revenue on the consolidated statements of financial position.

All unrestricted, unconditional charitable contributions are recorded as revenue when received. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Restricted contributions received and expended for their restricted purpose within the same fiscal year are reported as unrestricted contributions.

CASH and CASH EQUIVALENTS

The Association considers all investments purchased with an original maturity date of three months or less to be cash equivalents.

INVESTMENTS

Investments in debt securities are reported at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the consolidated statements of activities and changes in net assets.

FUNDS HELD for OTHERS

Funds held for others represent cash held on behalf of other organizations that may be paid to those organizations in the near term. The amount of \$4,280,832 as of December 31, 2008, was recorded as both current assets and current liabilities in the consolidated statements of financial position. The funds were paid to the other organizations in 2009.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded net of an allowance for doubtful accounts of approximately \$437,000 and \$386,000 as of December 31, 2009 and 2008, respectively. Changes in the allowance are reflected against membership dues on the consolidated statements of activities and changes in net assets.

INTANGIBLE ASSETS

The Association accounts for finite-lived intangible

NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

assets at the lower of the amortized cost or estimated realizable value. Amortization is provided using the straight-line method over the useful life of the assets. At December 31, 2008, intangible assets were fully amortized.

PROPERTY and EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Property and equipment are depreciated using the straight-line method over their estimated useful lives, which range from two to seven years. Leasehold improvements are stated at cost and amortized using the straight-line method over the lease term. Depreciation expense is approximately \$101,000 and \$224,000 in 2009 and 2008, respectively.

ACCOUNTING FOR UNCERTAIN TAX PROVISIONS

In June 2006, the Financial Accounting Standards Board issued ASC 740-10 (formerly Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*), which prescribed a comprehensive model for how an entity should measure, recognize, present, and disclose in its financial statements uncertain tax provisions that the entity has taken or expects to take. The Association adopted ASC 740-10 as of January 1, 2009 and, thereafter, recognizes the tax benefits from uncertain tax provisions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. It is the Association's policy to expense any interest and penalties associated with uncertain income tax positions in the year that the tax position is taken on the tax return. Interest is reported as interest expense and penalties are reported as other expenses.

The Association's open audit periods are 2006 through 2008. In evaluating the Association's tax status and potential liabilities, interpretations and tax

strategies are considered. The Association believes its estimates are appropriate based on current facts and circumstances. For the years ended December 31, 2009 and 2008, the Association determined it did not have any uncertain tax provisions and the Association did not incur or accrue any associated interest or penalties related to those positions. Accordingly, there was no impact of the Association's financial statements as a result of the implementation of ASC 740-10.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 17, 2010, the date the financial statements were available to be issued.

CONCENTRATIONS OF RISK

The Association's cash accounts used in operations are maintained at PNC Bank (the "Bank"). At December 31, 2009, the Bank participated in the FDIC's Transaction Account Guarantee ("TAG") program, which fully insures deposits maintained in non-interest bearing accounts. The Association had one account covered under this program as of the year ended December 31, 2009. As of January 1, 2010, the Bank elected to no longer participate in the TAG program. Therefore, the deposits will only be insured up to \$250,000. The Association also has interest bearing accounts at the Bank, which had cash in excess of insured amounts of approximately \$1,600,000 at December 31, 2009.

National Thoroughbred Racing Association, Inc. and Subsidiaries

NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

III.] INVESTMENTS

Fair value of investments are reported at fair value in the accompanying consolidated statements of financial position.

	Fair Value	Quoted Prices in Active Markets (Level 1)
December 31, 2009		
Corporate Bonds	\$ 1,001,878	\$ 1,001,878
U. S. Government Debt Securities	1,995,574	1,995,574
	<u>\$ 2,997,452</u>	<u>\$ 2,997,452</u>

ASC 310-10-20, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted process in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Association uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Association measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 1 *Fair Value Measurements*—The fair value of corporate stocks and U.S. Government Debt Securities is based on quoted net asset values of the stocks and bonds held by the Association at year-end.

IV.] PROPERTY and EQUIPMENT

Property and equipment consist of the following as of December 31:

	2009	2008
Computer equipment	\$ 1,201,595	\$ 1,167,704
Furniture and fixtures	158,541	158,541
Leasehold improvements	56,688	56,688
Other equipment	241,325	244,776
	<u>1,658,149</u>	<u>1,627,709</u>
Less: accumulated depreciation and amortization	(1,514,778)	(1,418,855)
	<u>\$ 143,371</u>	<u>\$ 208,854</u>

V.] TELEVISION

In 1999, NTRA acquired assets of Winner Communications, Inc., now called, and henceforth referred to as Winnercomm, Inc. (“Winnercomm”), including broadcast rights, a racing video library and intellectual property rights, collectively, intangible assets.

The total contracted purchase price for the assets of Winnercomm was \$27,500,000, subject to adjustments as defined in the Purchase Agreement. Payments were made each year from the date of acquisition in 1999 to 2004, in accordance with the Purchase Agreement. Final payment of \$3,000,000 was made in 2004.

Intangible assets were amortized using the straight-line method over the remaining estimated useful life, which expired on December 31, 2008 at the conclusion of the Services Agreement between NTRA Productions and Winnercomm (the “Services Agreement”) and was not renewed. Under this agreement, Winnercomm provided production and programming services for NTRA Productions’ horse racing programming and was responsible for generating advertising and sponsorship revenue in connection with the programming. In 2009, NTRA contracted directly with ESPN, Inc. for production and programming.

Under the Services Agreement, NTRA Productions paid management fees to Winnercomm of approximately \$1,455,000 for the year ended December 31, 2008. For the

NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

period January 1, 2008 through December 31, 2008, the management fee was calculated as the excess of operating revenues over operating expenses for NTRA Productions.

The Association's finite-lived intangible assets consisting of broadcast rights and film archives was fully amortized as of December 31, 2008.

Amortization expense was approximately \$3,260,000 for the year ended December 31, 2008.

VI.] LONG-TERM DEBT

LINES OF CREDIT

NTRA has revolving lines of credit with a bank for an amount up to \$2,000,000 with interest as selected by NTRA of (1) prime rate, (2) federal funds open rate plus 50 basis points or (3) daily LIBOR rate plus 250 basis points. Interest is payable monthly and the maturity date is July 31, 2010. As of December 31, 2009 and 2008, the NTRA had no outstanding borrowings under the lines of credit. Interest expense on the lines of credit was not significant in 2009 and 2008.

The NTRA holds a letter of credit from financial institutions to secure its lease of office space in New York, New York. The letter of credit used to secure office space in New York, in an amount of \$62,000, is deducted from the available balance on the line of credit as discussed above. The lease expired on February 28, 2010, and was not renewed.

WINNERCOMM ASSETS

To fund the purchase of the assets of Winnercomm and the establishment of NTRA Productions, NTRA Investments entered into a term loan agreement (the "Loan") on July 7, 1999 with the Minority Partners (see "Nature of Business and Organization"). The loan has a balance of zero, and \$5,074,144 as of December 31, 2009 and 2008, respectively. The December 31, 2008 balance includes \$1,585,670, loaned by an NTRA affiliate (see "Related Parties"). Effective January 1, 2004 the interest rate was fixed at four percent until maturity on September 30, 2006. On June 30, 2006 the terms of the

loan were revised such that no interest would be charged through maturity; the term was extended to February 29, 2012; and payments were derived from half the revenue received by NTRA from ODS Technologies, L.P. ("TVG"), which varied year to year depending on total TVG revenues. This revenue received by NTRA from TVG was assigned to the Minority Partners, who had a first priority security interest until such time as the loan balance was fully settled. The loan was non-recourse to NTRA; however the NTRA was obligated to pay the Minority Partners half of all the revenue received from TVG.

No interest was paid on the loan in 2009 or 2008. The assets of NTRA Investments, including NTRA Productions, secured the Loan.

In April 2009, the NTRA reached an agreement with the Minority Partners and TVG, whereby the Minority Partners accepted \$3,200,000 for full payment of the outstanding debt balance of \$4,841,229 and TVG agreed to become a member of the NTRA as of January 1, 2009 and terminated all contracts with NTRA as of that date. The gain resulting from this debt extinguishment was recorded in 2009.

VII.] INCOME TAXES

The NTRA is exempt from federal income tax under section 501(c)(6) of the Internal Revenue Code. However, certain activities of NTRA are subject to tax as unrelated business income. Additionally, for-profit subsidiaries of NTRA are subject to tax on taxable income, if any. The tax effect of these activities does not materially impact the consolidated financial statements.

VIII.] COMMITMENTS and CONTINGENCIES

Rent expense, which includes rent for office space, storage and various equipment in Lexington, Kentucky and Rye Brook, New York, amounted to approximately \$292,000 and \$404,000 for the years ended December 31, 2009 and 2008, respectively.

NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Future minimum lease payments under existing non cancellable operating lease agreements as of December 31, 2009 are as follows:

2010	\$ 273,000
2011	260,000
2012	264,000
2013	66,000
Total	<u>\$ 863,000</u>

IX.] RELATED PARTIES

The Association continues to conduct numerous transactions with a variety of industry organizations beyond the scope of the membership. The Association has formed alliances with leading industry news and information organizations, including The Blood-Horse, Inc. and Daily Racing Form, LLC (Official Sponsors of the Association), Equibase Company (Official Supplier of Racing Information and Statistics to the Association) and The Jockey Club Information Systems, Inc. (Official Supplier of Breeding and Sales Information for the Thoroughbred industry to the Association). These partnerships provide the Association with promotional and advertising vehicles and enable the Association to provide timely information and statistics (via the Internet and other media) to both new and existing fans, as well as non-industry publications wishing to cover Thoroughbred racing.

Prior to 2007, certain transactions were conducted from time to time between the Association and BCL. The Agreement between the Association and BCL was revised (see "Membership and Management Services Agreement with Breeders' Cup Limited"). No membership and management services fee was provided by BCL in 2009 or 2008. BCL paid membership dues to NTRA in an amount of \$400,000 in 2009 and \$400,000 in 2008. As of December 31, 2008, long-term debt included \$1,586,000, loaned by Breeders' Cup Properties, Inc., a wholly owned subsidiary of BCL, to NTRA Investments. There was no interest expense for 2009 and 2008

related to this indebtedness. There is no related interest payable in 2009 or 2008.

X.] RETIREMENT PLANS

The National Thoroughbred Racing Association 401(k) Retirement Plan ("Retirement Plan") covers all full-time employees over the age of 21 upon three months of service. Benefits vest over a period of two to five years. The NTRA may contribute a discretionary amount of a covered employee's salary. No discretionary amount was paid in 2009. In addition, NTRA matches amounts contributed by covered employees. Matching contributions amount to 100 percent of the first three percent of employee contributions. The Retirement Plan's contribution expense approximated \$60,495 in 2009 and \$154,116 in 2008.

The National Thoroughbred Racing Association Deferred Compensation Plan follows in form the Retirement Plan and covers full-time eligible employees whose annual compensation exceeds the 401(k) ERISA salary limits. It exists in accordance with section 457 of the Internal Revenue Code. Under this plan, employee benefits vest at the earlier date of retirement age or the completion of ten years of service (as defined in the plan document). The Deferred Compensation Plan's contribution expense approximated \$1,650 and \$4,900 for the years ended December 31, 2009 and 2008, respectively.



Kentucky Office

2525 Harrodsburg Road, Suite 400, Lexington, Kentucky 40504

Phone: (859) 245-NTRA **Fax:** (859) 422-1230

New York Office

800 Westchester Avenue, Suite 641N, Rye Brook, New York 10573

Phone: (914) 481-8390 **Fax:** (914) 872-4062

(800) 792-NTRA

E-mail: ntra@ntra.com **Internet:** www.NTRA.com