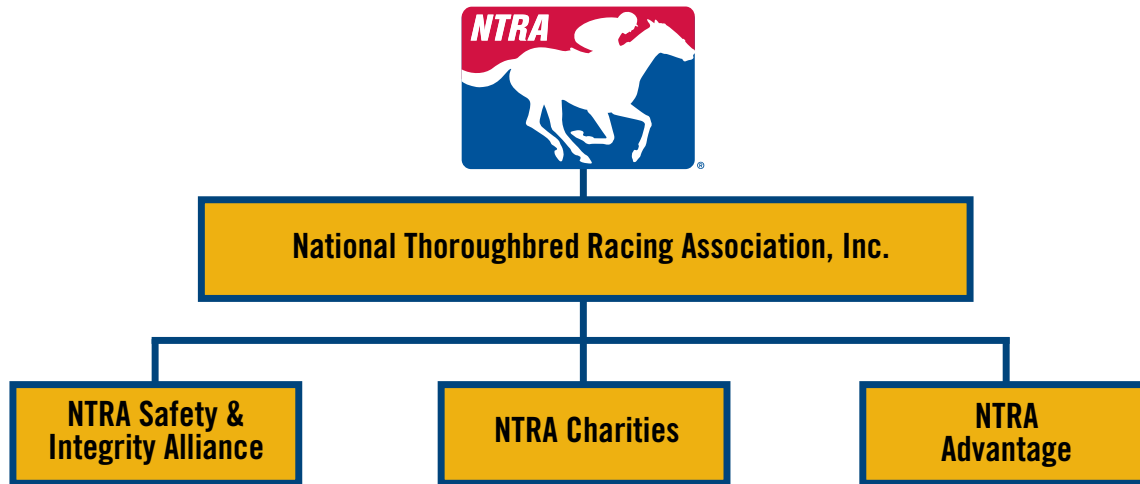


NTRA ANNUAL REPORT 2015-2016



ORGANIZATION STRUCTURE



Launched in 1998, the NTRA is a broad-based coalition of more than 100 horse racing interests and thousands of individual stakeholders consisting of horseplayers, racetrack operators, owners, breeders, trainers and affiliated horse racing associations, charged with increasing the popularity, welfare and integrity of Thoroughbred racing through consensus-based leadership, legislative advocacy, safety and integrity initiatives, fan engagement and corporate partner development.

The NTRA owns and manages the NTRA Safety and Integrity Alliance; NTRA.com; the NTRA Top Thoroughbred and NTRA Top 3-Year-Old weekly media polls; the Eclipse Awards; the National Handicapping Championship; NTRA Advantage, a corporate partner sales and sponsorship program; and Horse PAC, a federal political action committee. The NTRA is headquartered in Lexington, Ky.

The NTRA is served by a Board of Directors that represents horseplayers, racetracks, owners, breeders and horsemen.

The NTRA operates three subsidiaries:

NTRA Safety and Integrity Alliance

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

NTRA Charities, Inc.

Is a non-profit 501(c)(3) public charity whose mission is to promote and support charities in or related to the Thoroughbred industry.

NTRA Advantage

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

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MESSAGE FROM THE NTRA PRESIDENT AND CEO



July 2016

In 2015, the American public experienced the best that Thoroughbred racing has to offer thanks to Triple Crown winner American Pharoah. As the first horse to sweep the Kentucky Derby, Preakness Stakes and Belmont Stakes in

37 years, he ignited a celebration the likes of which our sport has not seen in a long time, and in the process inspired throngs of new fans and no doubt motivated many to consider the prospects of horse ownership.

While the Triple Crown and AP's subsequent "Grand Slam" win in the Breeders' Cup Classic last fall were unfolding, the NTRA continued to advance the interests of Thoroughbred racing and breeding.

We did so by connecting hundreds of industry organizations and thousands of individuals through a wide array of programming, support and advocacy efforts where we are able to find common ground and a shared purpose. As you read about the NTRA's many industry-

wide initiatives in this Annual Report, you will see that our charge is to benefit the industry as a whole, which is perhaps the number one feature that differentiates the NTRA from other industry groups and trade associations. Racetracks, owners, trainers, breeders and horseplayers all have a seat at the NTRA Board table and they all share in the benefits the NTRA has to offer.

Perhaps most representative of the NTRA's commitment to common purpose and collaboration is our annual *Daily Racing Form*/NTRA National Handicapping Championship presented by Racetrack Television Network and Treasure Island Las Vegas. This extremely popular event has grown over the years to become one of the sport's most successful promotional endeavors. In January, the 2016 NHC finals at Treasure Island Las Vegas boasted a record field of 629 entrants and a record for cash and prizes totaling \$2,778,760, including \$800,000 to this year's winner, Paul Matties. Thousands of NHC Tour members competed throughout the year in 161 separate

NHC qualifying events held at racetracks, OTBs, and online at ADWs and other contest websites. In the process, the NHC created new fans of horseracing and rewarded some of our most seasoned horseplayers while also helping to fuel our business through increased wagering nationwide.

The NTRA's agenda in Washington, DC, likewise benefits all segments of the Thoroughbred racing and breeding industry. Momentum continues to build for the effort to modernize regulations affecting the way pari-mutuel winnings are withheld and reported for federal tax purposes. We at the NTRA will remember 2015 as the year the industry rose to the challenge and submitted more than 11,000 comments to the U.S. Treasury and Internal Revenue Service (IRS) in support of the NTRA's tax modernization effort. Our advocacy efforts have continued into 2016 with numerous calls upon the Treasury Department to act on our industry's behalf originating from key members of Congress

and even supportive language in relevant U.S. House and Senate appropriations bills. If successful, our effort to end the antiquated practice of reporting and withholding pari-mutuel winnings as if all bets were still win, place and show bets will result in millions of dollars in additional pari-mutuel handle

annually. This will benefit not only horseplayers, track operators, owners and trainers, but also federal and state governments.

The NTRA's Legislative Action Campaign (LAC) raises financial support for our advocacy efforts on Capitol Hill, including our government relations and lobbying team. The NTRA's bipartisan political action committee known as Horse PAC raises money and gives support to key federal political candidates who understand horseracing's issues. Together, LAC and Horse PAC provide the kinds of support and expertise that every major industry needs to promote and protect its federal interests in Washington. Among new legislation already enacted in this 114th Congress are multiple provisions pushed by the NTRA's legislative team, including three-year tax depreciation for racehorses, 50% bonus depreciation, the Section 179 expense allowance for major purchases, as well as relief for H-2B visa employers such as horse trainers.

Today, for every \$1 of membership dues we receive, the NTRA produces more than \$9 worth of programs and benefits for the industry as a whole.

Nowhere in horseracing are cooperation and collaboration more important than when ensuring the safety of our human and equine athletes and the fairness of our sport. That is why in 2008 the NTRA organized an industry-wide initiative now known as the NTRA Safety and Integrity Alliance. Since that time, safety and integrity have become a top priority not just for the NTRA but also for the Thoroughbred horseracing industry as a whole. As of 2015, Alliance accredited racetracks represented 70% of the U.S. pari-mutuel handle and 90% of Grade I races conducted. In 2015, we welcomed Steve Koch to the NTRA as our new executive director of the NTRA Safety and Integrity Alliance. Steve has extensive racetrack operations experience, which he will need as he oversees the industry's only accreditation program for ensuring the establishment and implementation of uniform standards for racetrack safety and integrity.

In 2015, NTRA Communications helped racing capitalize on the once-in-a-lifetime opportunity that Triple Crown champion American Pharoah provided for mainstream media exposure. As the only public relations team present and participating at every stop along American Pharoah's amazing journey – from his early wins in the Rebel Stakes and Arkansas Derby at Oaklawn Park to his Grand Slam triumph in the Breeders' Cup Classic at Keeneland – the NTRA Communications staff rose to the challenge. As a consequence, the industry took full advantage of the many opportunities to tell the many interesting, uplifting stories about American Pharoah and the amazing people that surround him. But there is more. NTRA Communications works every day on behalf of every racetrack, owner, trainer, jockey and horse in North America to connect mainstream and industry media with our participants. Our overriding goal is to generate positive, enlightening stories about horseracing and its many interesting characters in media outlets across the country and around the globe.

Our member benefits program known as NTRA Advantage continues to deliver significant cost savings to the equine industry. Under the able leadership of our new Senior Vice President, Jeff Burch, the Advantage program has expanded its offerings while continuing to provide improved financial results for those who avail themselves of the many deals our program offers. NTRA Advantage offers substantial cost savings – through local dealers – on products and services that many in the horse industry need on a daily basis. Among the nationally known participating partners are John Deere, Nationwide Insurance, Valvoline, UPS, Sherwin-Williams, Office Depot-OfficeMax and Suncast.

Finally, I am proud to report that while providing all of the above to the industry, the NTRA once again posted positive net revenue for the year. We have done so by growing and adapting our most popular programs like NTRA Advantage, the National Handicapping Championship and the Eclipse Awards. And by focusing on valued programs like our legislative efforts in Washington, D.C. and the NTRA Safety and Integrity Alliance accreditation program. We are building a vital, sustainable organization while at the same time reducing our traditional reliance on dues support from members. Today, for every \$1 of membership dues we receive, the NTRA produces more than \$9 worth of programs and benefits for the industry as a whole. That makes the NTRA a great investment in the future of horse racing and breeding.

We plan to continue our efforts to increase the welfare, integrity and popularity of Thoroughbred racing through consensus-based leadership, safety and integrity initiatives, legislative advocacy, corporate partner development and fan engagement. This is our mission and as such, the NTRA has never been more relevant or more necessary.

Please take a few moments to review our Annual Report and, as always, thank you for your support of the NTRA.

Sincerely,



Alexander M. Waldrop
President and CEO

BOARD OF DIRECTORS

In 2015, the NTRA Board of Directors consisted of the NTRA CEO and representatives for racetracks and for horsemen, owners, breeders and horseplayers.

Reynolds Bell, Jr.

Thoroughbred Owners and Breeders Association

Robert N. Clay

The Jockey Club

Craig Dado

Del Mar Thoroughbred Club

Dennis Drazin

Monmouth Park

Alan Foreman

Thoroughbred Horsemen's Association

Craig Fravel

Breeders' Cup Limited

Chris Kay

New York Racing Association

Nick Coukos

Thoroughbred Owners of California

Mike Rogers

The Stronach Group

Bill Thomason

Keeneland Association

Judy Wagner

Horseplayers' Representative

Scott Wells

Thoroughbred Racing Associations

EX OFFICIO – **Alexander M. Waldrop**, President and CEO

CURRENT CORPORATE OFFICERS

Alexander M. Waldrop

President and CEO

Robert Watt

Secretary

Amber Florence

Treasurer

Keith Chamblin

Chief Operating Officer

Jeff Burch

Senior Vice President, NTRA Advantage

Steve Koch

Executive Director, Safety & Integrity Alliance

2015 PARTICIPATING ORGANIZATIONS

A – Advantage participant
S – Safety & Integrity Alliance
\$ – National Handicapping Championship
★ – Legislative Action Campaign

Founding Members

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

Participating Organizations

ARIZONA

Turf Paradise A

ARKANSAS

Oaklawn Park A

CALIFORNIA

Barretts Sales Company ★
California Fairs A \$
California Thoroughbred Breeders
Association ★ A \$
Del Mar Thoroughbred Club A S \$
Golden Gate Fields A S
Los Alamitos S \$
Oak Tree Racing Association
San Luis Rey Downs A
Santa Anita Park A S \$
Surfside Race Place \$
Television Games Network \$
Thoroughbred Owners of
California A S \$
TwinSpires.com \$

DELAWARE

Delaware Park A
Delaware Thoroughbred Horsemen's
Association A S

FLORIDA

Florida Thoroughbred Breeders
and Owners Association ★
Gulfstream Park A S \$
Gulfstream Park West A S
Ocala Breeders' Sales Company ★
Palm Meadows A
Tampa Bay Downs A \$

ILLINOIS

Arlington Park A \$
Balmoral Park A
Fairmount Park A
Hawthorne Race Course A \$
Illinois Thoroughbred Horsemen's
Association S
Illinois Thoroughbred Owners
and Breeders Association A

INDIANA

Hoosier Park A
Indiana Grand Race Course A S

IOWA

Prairie Meadows A \$

KENTUCKY

Churchill Downs A S
Ellis Park A
Fasig-Tipton Sales Company ★
Keeneland A S \$ ★
Kentucky Downs A S \$
Kentucky Thoroughbred Owners
and Breeders Association A
National HBPA S
The Jockeys' Guild S
Turfway Park A S

LOUISIANA

Breeders Sales Company of Louisiana ★
Delta Downs A
Evangeline Downs A
Fair Grounds A S \$
Harrah's Louisiana Downs A

MARYLAND

Fair Hill A
Laurel Park A S \$
Maryland Thoroughbred
Breeders Association A
Maryland Thoroughbred
Horsemen's Association A S
Pimlico A S \$

MASSACHUSETTS

Suffolk Downs S

MINNESOTA

Canterbury Park A S \$
Running Aces A

NEBRASKA

Fonner Park A

NEVADA

Treasure Island \$
Wynn \$

NEW JERSEY

Atlantic City Race Course A
Monmouth Park A S \$
New Jersey Thoroughbred Horsemen's
Association A S

NEW MEXICO

Ruidoso Downs A
Sunland Park A S
Zia Park A

NEW YORK

Aqueduct A S \$
Belmont Park A S \$
Daily Racing Form \$
Finger Lakes A S
New York Thoroughbred
Breeders Association ★ A
New York Thoroughbred
Horsemen's Association A S
Saratoga Race Course A S \$
ThoroFan S
Yonkers Raceway A

OHIO

Northfield Park A
Raceway Park A
Scioto Downs A
Thistledown A

OKLAHOMA

Remington Park A
Will Rogers Downs A
Oklahoma Thoroughbred
Association A

OREGON

Portland Meadows A

PENNSYLVANIA

Harrah's Philadelphia A
Parx Racing A
Hollywood at Penn National A
Pennsylvania Thoroughbred
Horsemen's Association A
Pocono Downs A
Presque Isle Downs A \$
Xpressbet \$

SOUTH DAKOTA

South Dakota OTB \$

TEXAS

Lone Star Park A \$
Retama Park A
Sam Houston Race Park A
Texas Horsemen's Partnership A ★

WASHINGTON

Emerald Downs A
Washington Thoroughbred
Breeders and Owners ★

WEST VIRGINIA

Charles Town A
Mountaineer A \$

CANADA

Hastings Park A
Rocky Mountain Turf Club \$
Woodbine Entertainment Group A S \$

Other NTRA Members

National Handicapping
Championship Tour
NTRA Horse PAC
NTRA Legislative Action Campaign

NTRA Advantage Affiliates

American Horse Council
American Paint Horse Association
American Quarter Horse Association
Appaloosa Horse Club
Equine Canada
Farriers & Hoofcare Resource Centers
Harness Tracks of America
National Steeplechase Association
United States Equestrian Federation
United States Polo Association
United States Trotting Association

NTRA SAFETY & INTEGRITY ALLIANCE

The NTRA Safety and Integrity Alliance establishes and implements national uniform safety and integrity standards in horseracing. Accreditation standards cover six broad areas: (1) injury reporting and prevention; (2) creating a safer racing and training environment; (3) uniform medication, testing and penalties; (4) safety and health of jockeys; (5) wagering security; and (6) aftercare of retired racehorses. Specific standards include:

- Systematic reporting of equine injuries
- Pre- and post-race veterinary examinations
- Injury review and post-mortem examinations
- Safety of horses, jockeys and horse people
- Horse shoes and hoof care
- Riding crops and their use
- Safety equipment
- Safety research
- Racing surface maintenance
- Safety training and continuing education
- Infectious diseases management
- Fire safety
- Uniform medication rules and penalties
- Alkalinizing Agents (TCO₂)
- Exogenous Anabolic Steroids
- Out-of-competition testing
- Frozen sample testing
- Testing laboratory standards and protocols
- Medication and testing education
- Emergency on-track horse/human medical care
- Security protocols and training
- Totalisator technology and protocols
- Wagering incident prevention and investigation
- Aftercare and transition of retired racehorses

The ACCREDITED seal identifies racetracks that meet these industry standards.



Partners



LEGISLATIVE

The NTRA, the only national organization solely representing Thoroughbred racing and breeding interests in Washington, D.C., engages in federal legislative advocacy to address issues that have a direct and material effect on Thoroughbred industry participants and their business activities, whether those activities relate to racing, breeding or pari-mutuel wagering.

Along with other horse industry stakeholder groups in and outside of racing, the NTRA also supports Congressional education programs on matters like agriculture and immigration which affect all breeds and equine disciplines.

In 2000, the NTRA's government relations team helped secure passage of legislation to legalize online pari-mutuel wagering under the Interstate Horseracing Act. The NTRA has successfully sought to protect and promote the interest of Thoroughbred racing over the past 16 years. In December 2015, the NTRA secured a two-year renewal of a Farm Bill provision authorizing accelerated depreciation for young racehorses. Current legislative targets include renewal of the

accelerated depreciation provision, horseplayer tax equity, and issues related to online gaming.

Two programs support the NTRA's work on Capitol Hill. The Legislative Action Campaign (LAC) sustains the NTRA's government relations and lobbying. NTRA's political action committee, Horse PAC, supports specific candidates for re-election. Sellers and buyers at public auction, sales companies, farms and horseplayers contribute to LAC. Horse PAC contributions come from individual NTRA members.

The most popular fundraising program in LAC is the ¼% Check-off. This program is tied to Thoroughbred auction sales throughout the United States and allows buyers and sellers to contribute ¼ of one percent of a horse's sale price (\$2.50 for every \$1,000).

Owners and breeders also support LAC through the NTRA Foal program, a bi-annual direct mail solicitation for contributions related to the number of foals they will register from the current crop.

Who Participated in the ¼ % Check-off Program Last Year?

More than 900 industry members from around the globe contributed to the ¼% Check-off Program when buying and selling at nearly 30 sales hosted by our partners in 2015.

40 states

Large, medium and boutique-sized operations from coast to coast and border to border contributed.

10 countries

Residents of the United States, Canada, Japan, Ireland, South Africa, Saudi Arabia, etc. participated.

6 sale companies

The NTRA gathers support from buyers and sellers at sales nationwide.



ECLIPSE AWARDS

“The first horse I ever bred, Pioneer of the Nile, won Grade I races at two and three. By the genius of Bob Baffert, he swept the entire California series for 3-year-olds and ran second in the Derby. How sweet it is for his son to come and avenge that loss for him and go on to win the Triple Crown. It is a Cinderella story and I am so humbled and grateful.”

— **Ahmed Zayat** (*Zayat Stables*)

Champion 3-Year-Old and Horse of the Year (American Pharoah),
Outstanding Owner and Outstanding Breeder

NTRA honors Thoroughbred racing's Champions at the annual Eclipse Awards, presented by *Daily Racing Form*, Breeders' Cup and The Stronach Group. The awards are voted on and presented by more than 250 representatives of the NTRA, *Daily Racing Form*, and National Turf Writers and Broadcasters (NTWB).

Eclipse Awards recognize equine and human achievement in 18 categories determined by voters. Additional 2015 honorees included Leonard Lavine, recipient of the Eclipse Award of Merit, and Horseplayer of the Year, John O'Neil.

Media Eclipse Awards are presented in the categories of photography, audio and multi-media Internet, news/commentary writing, feature/enterprise writing, local television, national television (feature) and

national television (live racing programming) to recognize members of the media for outstanding coverage of Thoroughbred racing.

The 45th Annual Eclipse Awards was held for the fourth straight year at Gulfstream Park Racing & Casino's Sport of Kings Theatre in Hallandale Beach, Fla. The event was streamed live online by the Xpressbet and *Daily Racing Form* websites, vastly increasing the potential audience to encompass anyone with a high-speed Internet connection.

The Eclipse Awards will return to Gulfstream Park on January 21, 2017. The black-tie optional gala highlights a full weekend of events benefitting the Thoroughbred Aftercare Alliance and the Permanently Disabled Jockeys Fund.

The Zayat family celebrates their four Eclipse Awards



2015 CHAMPIONS



Two-Year-Old Male: Nyquist



Two-Year-Old Filly: Songbird



Horse of the Year, Three-Year-Old Male:
American Pharoah



Three-Year-Old Filly: Stellar Wind



Older Dirt Male: Honor Code (4)



Older Dirt Female: Beholder (5)



Male Sprinter: Runhappy (3)



Female Sprinter: La Verdad (5)



Female Turf Horse: Tepin (4)



Steeplechase Horse: Dawalan (FR) (5)



Owner, Breeder: Zayat Stables



Trainer: Bob Baffert



Jockey: Javier Castellano



Apprentice Jockey:
Tyler Gaffalione



Horseplayer of the Year:
John O'Neil

NATIONAL HANDICAPPING CHAMPIONSHIP

Paul Matties of Ballston Spa, N.Y., topped a field of 629 entries to win the \$800,000 first-place prize and an Eclipse Award as Horseplayer of the Year in the 17th annual *Daily Racing Form*/NTRA National Handicapping Championship (NHC) presented by Racetrack Television Network and Treasure Island Las Vegas.

The NHC 17 finals awarded cash prizes to the top 63 finishers (the top 10 percent overall) from a total purse of \$2,304,760. Including the \$50,000 consolation tournament, \$250,000 paid out to top finishers in the year-long NHC Tour, a \$100 TI casino chip for every entrant, NHC Tour travel awards, RTN subscriptions, a \$10,000 charity tournament prize, plus \$30,000 worth of Breeders' Cup Betting Challenge entries, NHC cash and prizes totaled a record \$2,778,760.

The NHC was held for the fifth straight year in the Treasure Island ballroom and will return to Treasure Island January 27-29, 2017, for NHC 18.

Entering its 18th year, the *Daily Racing Form*/NTRA National Handicapping Championship is the richest and most prestigious handicapping tournament in the world. The NHC finals represent the culmination of a year-long series of NTRA-sanctioned local tournaments conducted by racetracks, casino race books, off-track betting facilities and horse racing and handicapping websites, each of which sends its top qualifiers to Las Vegas for the national finals. Each year, the NHC winner joins other human and equine champions as an honoree at the Eclipse Awards. In addition to the founding title sponsor, the NHC is presented by Racetrack Television Network and Treasure Island Las Vegas.



2016 NHC winner, Paul Matties



2016 NHC Ballroom

NTRA COMMUNICATIONS

In 2015, NTRA Communications helped to maximize the positive attention that American Pharoah's Triple Crown and Grand Slam season brought to Thoroughbred racing. Throughout the year, NTRA Communications was the only consistent public relations presence available to assist media on site at every track American Pharoah's raced, from Oaklawn Park to Keeneland and all stops in between. Along the way, NTRA Communications worked closely with racetrack communications staff to coordinate national broadcast appearances and prioritize requests.

NTRA Communications created new ways to keep the buzz going into 2016. A media availability with Baffert at Gulfstream Park in advance of the Eclipse Awards generated feature stories with NTRA mentions in The Associated Press, *USA Today* and several South Florida outlets that would not typically cover the Eclipse Awards. Two weeks later, the NTRA brought Baffert to the Super Bowl Media Center for scores of broadcast interviews and escorted him to the game for photo opportunities and meet-and-greets.

2015 Triple Crown winner and Horse of the Year American Pharoah



Throughout the Triple Crown, NTRA Communications arranged multiple Today Show in-studio appearances by American Pharoah's human connections. After the Belmont Stakes, it was NTRA Communications that escorted the winning connections from the winner's circle and moderated a historic post-race press conference. The same was true when American Pharoah lost to Keen Ice in the Travers and when he capped the year with a win in the Breeders' Cup Classic.

In advance of each start, NTRA Communications hosted national media teleconferences with the connections that attracted unprecedented participation from mainstream outlets. These calls allowed media around the world to ask questions of Bob Baffert, Ahmed Zayat and other prominent figures that would otherwise be impossible to reach.

While the media attention racing saw in 2015 might never again be matched, it is important to note that NTRA Communications made many new contacts and friends within the mainstream sports media as a result of American Pharoah's star power. Those relationships will continue to generate new, positive coverage for years and years to come.

When American Pharoah wasn't the center of attention, NTRA Communications continued to promote the sport overall. In 2015, NTRA Communications distributed more than 100 news releases, organized 14 national media teleconferences, and provided on-site communications support at 25 major racing events.

The NTRA's interdepartmental Social Media Committee continued to realize rapid growth in our social media presence. Most notable, the formation of the four-person #NHC Social Media

Team with high-profile social media influencers exponentially increased awareness for the NTRA's most important event. Additional help for the Eclipse Awards gave our digital presence a more professional look. The #APandMe campaign soliciting photos of fans with American Pharoah attracted hundreds of submissions, resulting in a significant spike in @NTRA followers and traffic and inspiring a video montage produced for the Eclipse Awards broadcast. For the first time, NTRA Moment of the Year voting was conducted entirely on Twitter, generating new buzz for both the Eclipse Awards and the ThoroFan Awards Breakfast where the honor is presented.

During the 2015 calendar year – the first full year since the formation of the Social Media Committee – NTRA Twitter followers increased 317% and Facebook fans more than doubled.

NTRA COMMUNICATIONS

2015 FINAL NTRA TOP THOROUGHBRED POLL

Ranking of the Top Thoroughbreds on a 10-9-8-7-6-5-4-3-1 basis with first place votes in parentheses, 2015 record and total points. A-S: Age-Sex, Sex: C-colt, G-gelding, H-horse, F-filly, M-mare, R-ridgling.

	Name	A-S	2015 Record	Pts.
1	American Pharoah (44)	3-C	8-7-1-0	440
2	Beholder	5-M	5-5-0-0	347
3	Liam's Map	4-C	4-3-1-0	324
4	Runhappy	3-C	6-5-0-0	260
5	Tepin	4-F	7-5-2-0	200
6	Honor Code	4-R	6-3-0-2	199
7	Songbird	2-F	4-4-0-0	130
8	Nyquist	2-C	5-5-0-0	103
9	Private Zone	6-G	6-3-2-1	68
10	Shared Belief	4-G	3-2-0-0	54

Other horses receiving votes:

Stephanie's Kitten (51), Stopchargingmaria (50), Found (43), Tonalist (33), Keen Ice (27), Big Blue Kitten (19), Golden Horn (14), Lady Eli (12), Flintshire (11), Effinex (7), California Chrome (5), I'm A Chatterbox (4), Stellar Wind (4), The Pizza Man (4), Rock Fall (3), Catch A Glimpse (2), Frosted (2), Lea (2), Dortmund (1), Hit It A Bomb (1)

NTRA ADVANTAGE

NTRA Advantage facilitates the sale of products and services to more than one million eligible horse industry participants at prices well below market rate. Since its inception in 2002, NTRA Advantage has generated more than \$789 million in sales for its nationally branded corporate partners.

NTRA Advantage partners include:

John Deere – worldwide supplier of agricultural, construction and turf equipment.

Sherwin-Williams – global leader in the manufacture, development, distribution, and sale of coatings and related products to professional, industrial, commercial, and retail customers.

Red Brand – caring for the safety and security of your horses begins with reliable fencing.

Nationwide – providing a full range of insurance products, including auto, homeowners, power sports, pet and specialty insurance.

Valvoline Instant Oil – there's only one engine oil good enough for the horse industry.

OfficeDepot/OfficeMax – leading provider of office supplies, office furniture and office technology.

UPS – a global leader in logistics including the shipment of packages and freight.

Suncast – As a market leader in high-quality resin, wood, and metal products made in the U.S.A. for over 25 years, we believe in constant change and innovation to make your life and job easier. We are committed to leading the way in highly intentional products to do just that. Suncast Commercial products are available globally through our partnership with the NTRA.

NTRA Advantage covers the United States and Canada with a team of six sales representatives who attend some 100 equine events throughout the year with and for the partners listed above. NTRA Advantage has saved industry members over \$120 million. Purchases by NTRA members through the Advantage program average \$50 million annually.

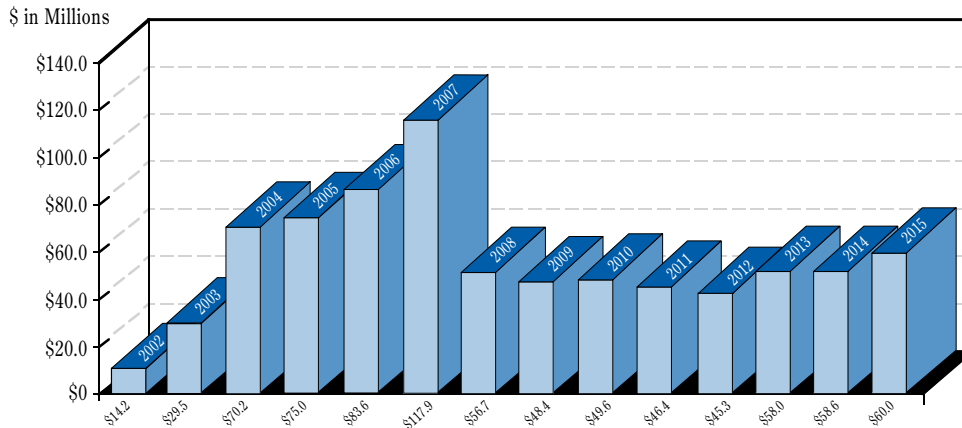
NTRA Advantage Affiliates:

NTRA Advantage manages or operates eight membership benefits programs for equine associations in the U.S. and Canada, including the American Horse Council, American Paint Horse Association, American Quarter Horse Association, Equine Canada, Harness Tracks of America, U.S. Equestrian Federation, U.S. Polo Association and U.S. Trotting Association



NTRA ADVANTAGE

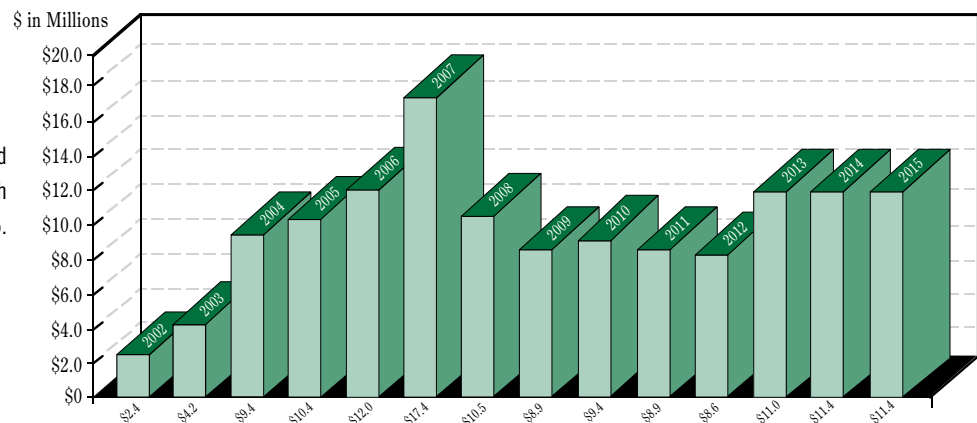
Sales



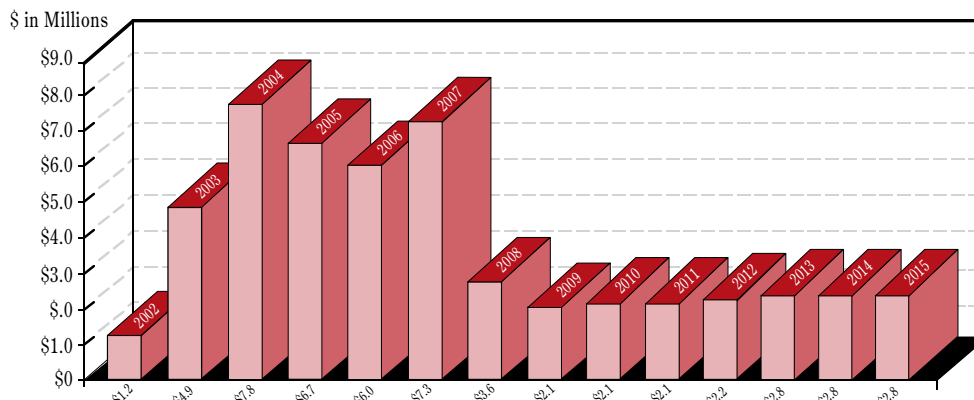
NTRA Advantage sales since 2002 have exceeded \$789 million.

Savings to Members

The horse industry surpassed \$133 million in total savings through NTRA Advantage programs in 2015.



Revenue to NTRA



NTRA Advantage has contributed more than \$50 million toward NTRA membership programs and services.

A FINAL WORD

The strength of the NTRA lies in its diverse membership representing all facets of the horse racing industry, including thousands of individuals.

Time and again – whether it be through programs like legislative advocacy in Washington, D.C., purchasing discounts achieved through NTRA Advantage, reforms enacted by the Safety & Integrity Alliance, or unparalleled growth of the *Daily Racing Form*/NTRA National

Handicapping Championship – we have proven that there is much we can achieve when the industry works together in a cohesive, consensus-driven manner.

The NTRA is charged with increasing the popularity, welfare and integrity of Thoroughbred racing. With your help and continued support, we will continue to pursue those goals in 2016 and beyond.



CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 31, 2016 and January 31, 2015

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REPORT of INDEPENDENT AUDITORS

To the Board of Directors
National Thoroughbred Racing Association, Inc.

We have audited the accompanying consolidated financial statements of National Thoroughbred Racing Association, Inc. and Subsidiaries (the "Association") which comprise the consolidated statements of financial position as of January 31, 2016 and 2015, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Association as of January 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

April 20, 2016
Louisville, Kentucky

STROTSMAN AND COMPANY

CONSOLIDATED STATEMENTS of FINANCIAL POSITION

As of January 31, 2016 and January 31, 2015

	JANUARY 31 2016	JANUARY 31 2015
ASSETS		
Cash and cash equivalents	\$ 945,309	\$ 1,547,773
Investments, at fair value	1,929,186	1,587,890
Accounts receivable, net	1,443,136	1,092,439
Prepaid expenses	232,721	214,857
Other assets	122,854	94,292
Property and equipment, net	83,865	14,968
Total assets	<u>\$ 4,757,071</u>	<u>\$ 4,552,219</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 1,595,887	\$ 1,565,363
Deferred revenue	361,743	258,020
Other long-term liabilities	117,054	89,842
Total liabilities	<u>2,074,684</u>	<u>1,913,225</u>
Net assets		
Unrestricted net assets	<u>2,682,387</u>	<u>2,638,994</u>
Total liabilities and net assets	<u>\$ 4,757,071</u>	<u>\$ 4,552,219</u>

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS of ACTIVITIES and CHANGES in NET ASSETS

For the fiscal years ended January 31, 2016 and January 31, 2015

	JANUARY 31 2016	JANUARY 31 2015
OPERATING REVENUES		
Marketing and promotions	\$ 4,454,073	\$ 4,555,829
Membership dues	1,130,017	1,274,161
Advantage	2,887,640	2,920,031
Legislative Action Campaign	627,759	590,192
Safety and Integrity Alliance	233,500	226,667
Contributions	5,155	5,664
Other revenues	16,592	6,063
Total operating revenues	9,354,736	9,578,607
OPERATING EXPENSES		
Program expenses		
Marketing and promotions	\$ 4,231,964	\$ 4,035,875
Advantage	2,129,426	2,406,433
Legislative and regulatory programs	679,569	692,593
Safety and Integrity Alliance	355,372	377,362
Media communications	280,530	519,686
Contributions	1,000	4,800
Supportive services		
General and administrative	1,541,445	1,442,516
Depreciation	18,761	6,114
Total operating expenses	9,238,067	9,485,379
Excess of operating revenues over operating expenses	116,669	93,228
NON-OPERATING INCOME (LOSS)		
Interest income	(70,676)	97,112
Other expense	(2,600)	0
Total non-operating income (loss)	(73,276)	97,112
Revenues over expenses	43,393	190,340
Unrestricted net assets at beginning of year	2,638,994	2,448,654
Unrestricted net assets at end of year	\$ 2,682,387	\$ 2,638,994

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS of CASH FLOW

For the fiscal years ended January 31, 2016 and January 31, 2015

	JANUARY 31 2016	JANUARY 31 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenues over expenses	\$ 43,393	\$ 190,340
Adjustments to reconcile revenues over expenses to net cash (used in) provided by operating activities:		
Unrealized and realized losses (gains) on investments	138,839	(20,435)
Depreciation	18,761	6,114
Change in allowance for doubtful accounts	(7,974)	(2,760)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable, net	(342,723)	783,757
(Increase) in prepaid expenses	(17,864)	(53,326)
(Increase) in other assets	(28,562)	(21,078)
Increase in accounts payable and accrued liabilities	30,524	209,462
Increase (decrease) in deferred revenue	103,723	(237,765)
Increase in other long-term liabilities	27,212	21,078
Net cash (used in) provided by operating activities	<u>(34,671)</u>	<u>875,387</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	542,105	846,726
Purchases of investments	(1,022,241)	(916,717)
Purchases of property and equipment	(87,657)	(6,700)
Net cash (used in) investing activities	<u>(567,793)</u>	<u>(76,691)</u>
Net (decrease) increase in cash and cash equivalents	(602,464)	798,696
Cash and cash equivalents at beginning of year	1,547,773	749,077
Cash and cash equivalents at end of year	<u>\$ 945,309</u>	<u>\$ 1,547,773</u>

See Notes to Consolidated Financial Statements.

NATIONAL THOROUGHBRED RACING ASSOCIATION, INC. and SUBSIDIARIES

For the fiscal years ended January 31, 2016 and January 31, 2015

A] NATURE of BUSINESS and ORGANIZATION

The National Thoroughbred Racing Association, Inc. (the “NTRA” or the “Association”), is a not-for-profit, broad-based coalition of horseplayers, racetrack operators, owners, breeders, trainers and affiliated associations incorporated in December 1997. The mission of the NTRA is to increase the welfare, integrity and popularity of Thoroughbred racing through consensus-based leadership, safety and integrity initiatives, legislative advocacy, corporate partner development and fan engagement.

The consolidated statements of financial position and the consolidated statements of activities and changes in net assets, include the NTRA and its wholly owned subsidiaries, NTRA Charities, Inc. (“NTRA Charities”) EquiSource, LLC (dba, NTRA Advantage) 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. Funds raised by NTRA Charities must be used for these purposes. Unspent net assets of NTRA Charities at January 31, 2016 and 2015 were approximately \$123,000 and \$119,000, respectively.

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 percent owner of NTRA Productions LLC, an entity created in 1999 to enter into a television contract. Neither of these entities have had any significant activity in recent years.

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

B] SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

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

The Association derives a significant portion of its revenue from membership dues and NTRA Advantage fees.

Racetrack and horsemen’s association dues are recognized in the year to which the membership relates. Contributions 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.

Promotion, sponsorship and NTRA Advantage revenues are earned based upon the satisfaction of contractual terms. All cash received in the years ended January 31, 2016 and January 31, 2015 related to events occurring in fiscal years 2017 and 2016, 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.

NATIONAL THOROUGHBRED RACING ASSOCIATION, INC. and SUBSIDIARIES

For the fiscal years ended January 31, 2016 and January 31, 2015

CASH AND CASH EQUIVALENTS

The Association considers all highly liquid 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.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded net of an allowance for doubtful accounts of approximately \$69,000 and \$75,000 as of January 31, 2016 and January 31, 2015, respectively. Changes in the allowance are included in general and administrative expenses on the consolidated statements of activities and change in net assets. For the years ended January 31, 2015 and January 31, 2016, there were no bad debt expenses.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost, if purchased, or fair market value at the date of gift, if donated. The Association capitalizes asset purchases exceeding \$2,000 with a useful life greater than one year. Property and equipment are depreciated using the straight-line method over their estimated useful lives, which range from two to seven years. Depreciation expense is approximately \$19,000 and \$6,000 for the years ended January 31, 2016 and 2015, respectively.

ACCOUNTING FOR UNCERTAIN TAX PROVISIONS

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. There were no taxes due for the years ended January 31, 2016 and 2015.

Additionally, for-profit subsidiaries of NTRA are subject to tax on taxable income, if any. NTRA has generated net tax operating loss carry forwards of nearly \$17 million (expiring from 2022 through

2030), available to offset future taxable income, if any. This results in a deferred tax asset which is fully offset by an allowance since management cannot predict when, if ever, such an asset would be realized.

The Association's open audit periods are 2012 through 2015. 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.

Generally accepted accounting principles prescribe a comprehensive model for how an organization should measure, recognize, present and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. There is no impact on the Association's consolidated financial statements as a result of the application of these accounting principles.

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 April 20, 2016, the date the consolidated financial statements were available to be issued.

NATIONAL THOROUGHBRED RACING ASSOCIATION, INC. and SUBSIDIARIES

For the fiscal years ended January 31, 2016 and January 31, 2015

C] INVESTMENTS

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

	Fair Value	Quoted Prices in Active Markets (Level I)
January 31, 2016		
Cash & Cash Equivalents	\$ 8,486	\$ 8,486
Mutual Funds - Equities	730,622	730,622
Corporate Bonds	1,190,078	1,190,078
	<u>\$ 1,929,186</u>	<u>\$ 1,929,186</u>
January 31, 2015		
Cash & Cash Equivalents	\$ 7,399	\$ 7,399
Mutual Funds - Equities	618,436	618,436
Corporate Bonds	962,055	962,055
	<u>\$ 1,587,890</u>	<u>\$ 1,587,890</u>

Generally accepted accounting principles establish 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 prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs and other than quoted prices for identical assets, and Level 3 inputs are unobservable and 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 cash equivalents, mutual funds and corporate bonds is based on quoted net asset values of the bonds held by the Association at year-end.

D] PROPERTY and EQUIPMENT

Property and equipment consists of the following:

	January 31 2016	January 31 2015
Computer software and equipment	\$ 517,380	\$ 429,723
Furniture and fixtures	158,685	158,684
Other equipment	24,225	24,225
Less accumulated depreciation and amortization	700,290 (616,425)	612,632 (597,664)
	<u>\$ 83,865</u>	<u>\$ 14,968</u>

E] DEBT

NTRA has a line of credit with a bank for amounts available up to \$250,000. Outstanding borrowings bear the prime rate of interest not to decrease below a fixed minimum rate of 4.25%, and expires November 21, 2016. This agreement requires a balance of \$750,000 in unrestricted net assets be maintained. As of January 31, 2016 and 2015, NTRA was in compliance with this requirement and had no outstanding borrowings.

F] COMMITMENTS and CONTINGENCIES

Rent expense, which includes rent for office space, storage and various equipment in Lexington, Kentucky amounted to approximately \$88,000 and \$86,000 for the years ended January 31, 2016 and 2015, respectively.

Future minimum lease payments under existing non-cancellable operating lease agreements are \$11,910 for the year ended January 31, 2017.

G] RETIREMENT PLANS

The National Thoroughbred Racing Association 401(k) Safe Harbor Retirement Plan covers all full-time employees over the age of 21 upon three months of service. Benefits vest immediately as is customary for all safe harbor plans. The NTRA may contribute a discretionary amount of a covered employee's salary. No

NATIONAL THOROUGHBRED RACING ASSOCIATION, INC. and SUBSIDIARIES

For the fiscal years ended January 31, 2016 and January 31, 2015

discretionary amount was paid for the years ended January 31, 2016 and 2015. Additionally, NTRA's required contribution amounted to three percent of each employee's salary. The Association's contribution expense was \$62,373 and \$73,996 for the years ended January 31, 2016 and 2015, respectively.

The National Thoroughbred Racing Association Deferred Compensation Plan 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 Association's contribution expense approximated \$4,365 and \$3,941 for the years ended January 31, 2016 and 2015, respectively.

H] CONCENTRATION of CREDIT RISK

The Association's cash and investment accounts used in operations are maintained at a financial institution. The cash and cash equivalents are secured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 as of January 31, 2016. The bank balance of the Association exceeded its FDIC insurance by approximately \$580,000 and \$1,000,000 as of January 31, 2016 and January 31, 2015, respectively. The Association also has cash equivalent and investment accounts covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000. At January 31, 2016 and 2015, the Association had cash equivalents and investments in excess of the SIPC coverage of approximately \$1,600,000 and \$1,000,000, respectively.

INDUSTRY PROGRAMS

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



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 Association of Racing Commissioners International (RCI) is the international association of the government sanctioned entities responsible for the honesty and integrity of horse and greyhound racing as well as all associated pari-mutuel wagering;



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 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 Thoroughbred Aftercare Alliance, which serves as both the accrediting body for aftercare facilities that care for Thoroughbreds following the conclusion of their racing careers and a fundraising body to support these approved facilities;



The NTRA, Keeneland and The Jockey Club represent the Thoroughbred interests in the TimeToRide initiatives being coordinated by the American Horse Council. TimeToRide is designed to connect American families to horse opportunities in their local area, while encouraging participation, ownership and support of the horse industry; and



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

NTRA MISSION STATEMENT

To increase the popularity, welfare and integrity of Thoroughbred racing through consensus-based leadership, legislative advocacy, safety and integrity initiatives, fan engagement and corporate partner development.



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