



2002-2003 NTRA
Annual Report to the Membership



COMMISSIONER'S MESSAGE



Commissioner
Timothy G. Smith

When the NTRA started operations five years ago, in 1998, it began in truth as a somewhat “underpowered” national office for Thoroughbred horseracing. Steadily, however, it has added building blocks like NTRA Productions, NTRA Purchasing, NTRA Creative Services and various new legislative programs. These have helped considerably in boosting the NTRA’s ability to fulfill its two-part mission: to increase the popularity of Thoroughbred racing and to improve economic conditions in the industry.

If there was a single, pivotal moment in the organization’s young history, it perhaps was the NTRA’s combination with Breeders’ Cup Limited, effective January 1, 2001. While the two corporations retained their separate legal identities, Breeders’ Cup programs were licensed to the NTRA to manage, and BCL personnel became NTRA employees. There was now one virtual corporation to generate new interest and participation in horseracing and its culminating event.

In many ways, 2002 was the time when these building blocks and the Breeders’ Cup “merger” coalesced to produce the NTRA’s most productive period to date. Last year’s accomplishments included, for example:

- increasing national sponsors for the NTRA and Breeders’ Cup from three to nine, adding such global brands as FedEx, Guinness and NetJets;
- boosting horseracing’s viewership and long-term TV presence: ratings were sharply up across the board, and ESPN’s programming commitments to NTRA Productions and live horseracing were extended through 2008;
- improving promotion and results of the Breeders’ Cup World Thoroughbred Championships, including last summer’s launch of weekly “World Thoroughbred Rankings,” formation of an international marketing alliance with Ascot and Longchamp racecourses and an all-time wagering record (\$116 million) for the 19th Breeders’ Cup at Arlington Park;
- expanding national marketing programs, including new award-winning commercials from NTRA Creative Services and use of a special Board-designated “stimulus fund” to increase consumer promotions in 2002, boosting both attendance and handle at more than 50 participating locations; and,

TABLE OF CONTENTS

Commissioner's Message
Events.....2
Financial Highlights4
Directors & Senior Management ...6
Marketing & Media8
Consumer Promotions
& Products10
Television12
Sponsorship & Group
Purchasing14
Legislative & Regulatory.....16
Membership &
Industry Programs.....18
Organizational Structure20
A Final Word.....22
Financial Statements.....23

- while much work remains to be done, effectively responding to the initial challenges of the Breeders' Cup Pick Six situation, including coordination of immediate concrete steps to improve wagering systems security through the Wagering Technology Working Group, retention of Ernst & Young and Giuliani Partners for a "systematic review" of tote technology and wagering security standards, and organization of the Wagering Integrity Alliance to fund necessary security initiatives.

Looking forward, 2003 presents its own unique mix of challenges and opportunities. The unusually poor winter weather last December and in this year's first quarter has cost numerous racing days and resulting loss of handle, which will be difficult to recoup.

Also this year, due to the sunseting of certain revenue programs and other one-time factors, the NTRA operating budget will be missing several million dollars compared to 2002. Largely offsetting these declines, we expect, will be the continued growth of national sponsorship, television and group purchasing income.

Clearly, another major priority for 2003 will be to complete successfully the initial efforts of the Wagering Technology Working Group and the Wagering Integrity Alliance so that, during the current year, there will be no doubt that both the substance and perception of pari-mutuel security were markedly improved.

Also, 2003 presents special marketing opportunities for horseracing—from the eagerly awaited opening of "Seabiscuit" to the 20th running of the Breeders' Cup, hosted by Oak Tree at Santa Anita Park. Major promotional efforts—with significant sponsor involvement—will be undertaken in each of these cases.

In addition, the NTRA Board of Directors held a two-day strategic planning retreat in February to review lessons learned in the first five years and organizational priorities for the future. A recurring theme of this long-range planning session was that the NTRA needs to do even more to bring the industry together and, where appropriate, to lead it.

We welcome this challenge. One of the lessons learned and relearned since 1998 is that there is, indeed, strength in numbers. With sufficient cooperation, optimism and commitment, much is possible—particularly now, based on the results of 2002 and the promise of 2003. On behalf of our Board and staff, we extend sincere thanks to everyone who has helped make the NTRA possible these last five years and look forward to working together in the future.

Respectfully,

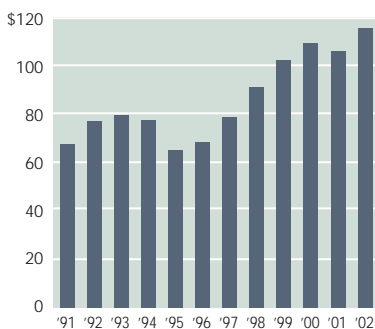


Timothy G. Smith
Commissioner & CEO

EVENTS

Record pari-mutuel handle of \$116 million at 9,400 U.S. and international simulcast and racing facilities highlighted a banner year for the Breeders' Cup World Thoroughbred Championships.

Breeders' Cup
World Thoroughbred
Championships Day Wagering
(in millions)



NBC Sports again covered the World Thoroughbred Championships, with ratings for the 2002 show up 18 percent over the previous year's. NBC has broadcast the event since its inception in 1984.

The Breeders' Cup World Thoroughbred Championships added to its stature as a global property in 2002, as the event became the cornerstone of a strategic marketing alliance between the NTRA, Breeders' Cup, England's Ascot Racecourse and France's Longchamp Racecourse.

The alliance, announced in June, led to a new marketing partnership among NetJets, the worldwide leader in fractional aircraft ownership, the NTRA, Breeders' Cup, Ascot and Longchamp for a series of race sponsorships, including the NetJets Breeders' Cup Mile.

The Breeders' Cup event was re-branded as the Breeders' Cup World Thoroughbred Championships in 2001. That branding was extended in 2002 through expanded merchandising and by the creation of the World Thoroughbred Rankings—top-10 lists of horses in each Breeders' Cup division, produced weekly during the racing season by an international panel of racing experts.

International media coverage for the Championships grew, reaching an audience of 1.5 million homes in England through television coverage provided by Channel 4 and the BBC. England's new racing television network and wagering service, *attheraces*, also broadcast the eight Championships races via Sky Digital Television.

Pari-mutuel wagering on the Championships was offered in England for the first time in 2002, while wagering from France—first begun in 1997—exceeded \$2.5 million, an increase of nearly 18 percent over the last year.

With horses, owners, trainers, jockeys and breeders from more than a dozen countries, the sell-out event—hosted for the first time at Chicago's Arlington Park—attracted a crowd of more than 46,000, produced an economic impact of \$54.3 million for the state of Illinois and raised nearly \$150,000 for charity.



“Seabiscuit” star Tobey Maguire, with NTRA Commissioner Tim Smith, presented the Horse of the Year trophy to the connections of Azeri (pictured at left), one of six 2002 Eclipse Award-winning horses who also won World Thoroughbred Championships races. NTRA, *Daily Racing Form* and the National Turf Writers Association vote on and present the annual awards.

5TH ANNIVERSARY FACT

The number of World Thoroughbred Championships sponsors has tripled and now includes Guinness and FedEx.



Breeders' Cup awareness in the Chicago metro area increased 900 percent over the prior year, boosting horseracing's profile in the country's third-largest market.

FINANCIAL HIGHLIGHTS

Priorities for 2003 include an aggressive program to grow revenues from sponsorship, television and group purchasing.

The figures represent budgeted projections for the calendar year 2003 and include NTRA and NTRA Purchasing. Certain reclassifications have been made to 2002 actual figures to conform to the 2003 budget presentation. Consolidated Financial Statements for National Thoroughbred Racing Association, Inc. and Subsidiaries are attached as an appendix to this report.

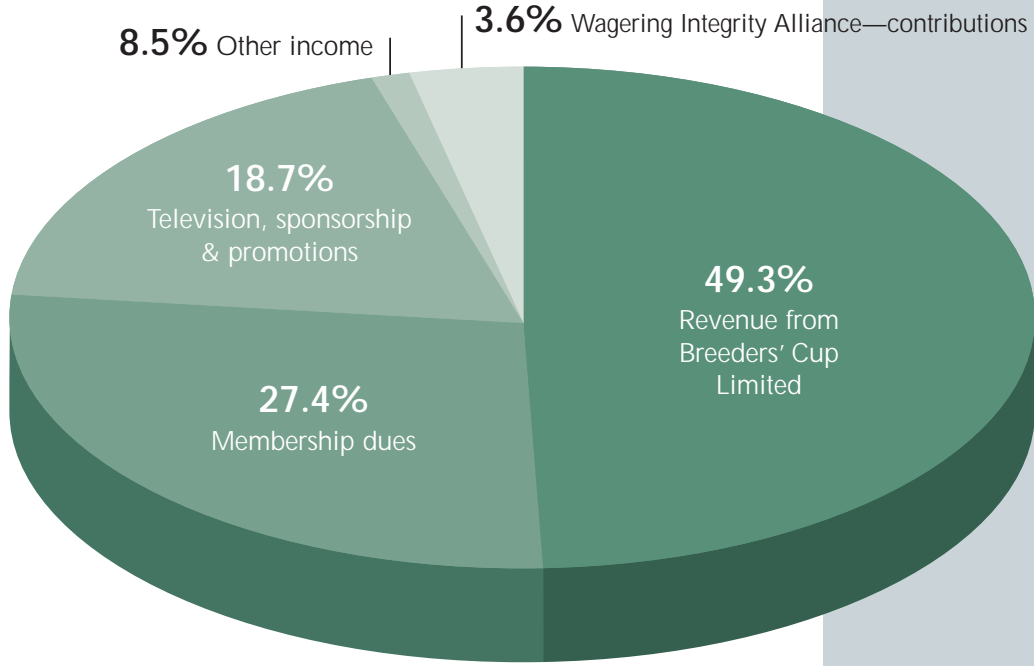
	<u>2003 Budget*</u>	<u>2002 Actual</u>
Operating Revenues		
Revenues from BCL	\$29,800,000	\$32,691,909
Membership dues	16,560,000	18,971,982
Television, sponsorship & promotions	11,261,000	6,633,906
Drug Testing Task Force	–	138,552
Other revenues	50,000	53,738
Total operating revenues	<u>57,671,000</u>	<u>58,490,087</u>
Operating Expenses		
Television	8,899,000	8,071,747
Sponsorship	5,589,000	4,076,924
Advertising, marketing & promotions	18,284,000	18,709,811
Purses & awards	19,150,000	20,797,914
Legislative & regulatory**	1,030,000	1,389,105
Drug Testing Task Force	–	15,434
General & administrative	5,117,000	4,998,878
Total operating expenses	<u>58,069,000</u>	<u>58,059,813</u>
Excess of operating revenues over (under) operating expenses	(398,000)	430,274
Non-operating income		
Interest income, net	48,000	75,959
Other income	500,000	76,227
Total non-operating income	<u>548,000</u>	<u>152,186</u>
Excess of revenues over expenses before special contributions and expenses	150,000	582,460
Special contributions (expenses)		
Wagering Integrity Alliance—contributions	2,199,000	301,000
Wagering Integrity Alliance—expenses	<u>(2,249,000)</u>	<u>(1,352,459)</u>
Total special contributions (expenses)	<u>(50,000)</u>	<u>(1,051,459)</u>
Excess of revenues over (under) expenses	100,000	(468,999)
Board designated allocations		
for programs in 2002	–	<u>1,500,000</u>
Change in undesignated net assets	<u>\$ 100,000</u>	<u>\$ 1,031,001</u>

*Unaudited.

**Legislative and regulatory expenses budgeted for 2003 do not include \$250,000 in estimated contributions from the NTRA Political Action Committee (PAC) to federal candidates.

2003 NTRA Budget

Revenues \$60.4 million

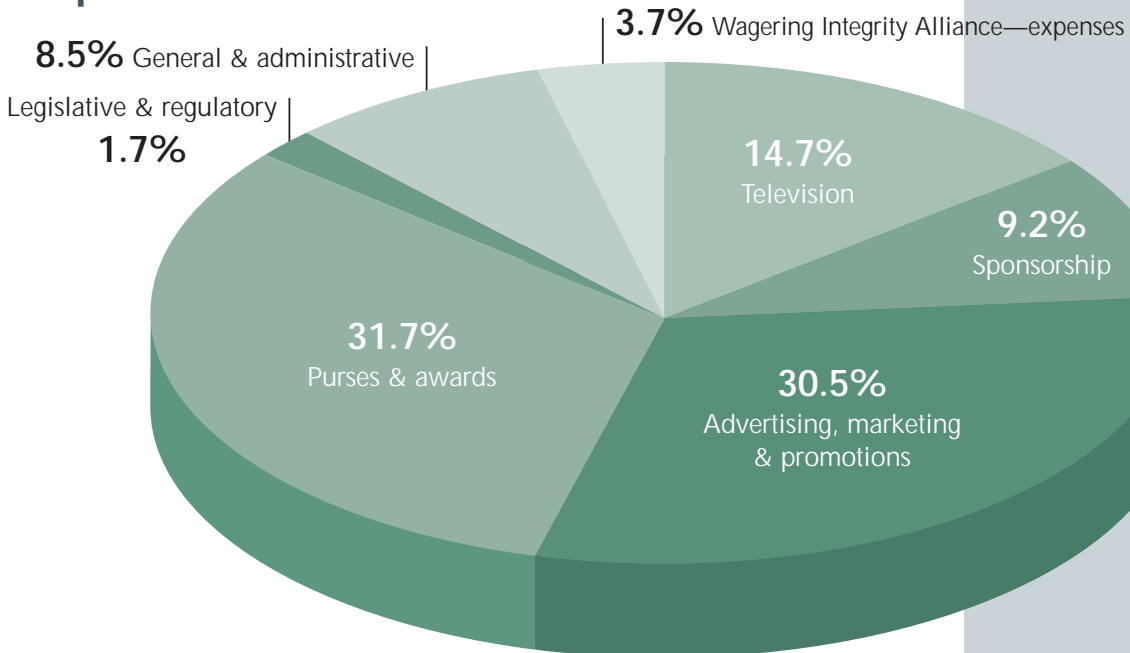


5TH ANNIVERSARY FACT

NTRA has expended more than \$75 million on advertising, marketing and promotions.

2003 NTRA Budget

Expenses \$60.4 million



DIRECTORS & SENIOR MANAGEMENT

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



Timothy G. Smith
NTRA Commissioner &
Chief Executive Officer

NTRA Commissioner since the organization's inception in 1998, Mr. Smith is the former Deputy Commissioner and Chief Operating Officer of the PGA TOUR.



D.G. Van Clief, Jr.
NTRA Vice Chairman &
Breeders' Cup President

Mr. Van Clief assumed the role of NTRA Vice Chairman in January 2001 in addition to that of Breeders' Cup President. He also is a Breeders' Cup representative on the NTRA Board.

The racetrack representatives include four independent seats representing the West, Midwest, South and Mid-Atlantic regions and three multi-track seats representing Churchill Downs Incorporated, Magna Entertainment Corporation and the New York Racing Association.

Each board member for the multi-track seats represents track-operating companies whose total annual combined pari-mutuel handle on Thoroughbred races exceeds 15 percent of the total annual pari-mutuel handle for North American Thoroughbred racing.

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

NTRA SENIOR MANAGEMENT

Gregory C. Avioli

Deputy Commissioner & COO, Corporate Secretary

Ferguson Taylor

Chief Administrative
& Financial Officer,
Corporate Treasurer

Pam Blatz-Murff

Senior Vice President,
Breeders' Cup Operations

Chip Campbell

Senior Vice President,
Television & Sponsorship

Keith Chamblin

Senior Vice President,
Marketing & Industry Relations

Ken Kirchner

Senior Vice President,
Product Development

Racetrack Representatives



Craig R. Fravel
West Region,
Independent



Bruce Garland
Mid-Atlantic Region,
Independent



Bryan G. Krantz
South Region,
Independent



Jim McAlpine
Magna Entertainment
Corporation



Thomas H. Meeker
Churchill Downs
Incorporated



Terence Meyocks
New York Racing
Association



Nick Nicholson
Midwest Region,
Independent

NTRA Board Committees

NTRA Board Committees present details of select issues to the NTRA Board for review. Approval for policies, programs and budgets relating to those issues requires a vote of the full Board and a super majority vote, depending on the topic.

Audit and Compensation

Thomas H. Meeker, Chair
Alan Foreman
G. Watts Humphrey, Jr.
Jim McAlpine
Ogden Mills Phipps

Political Action

Ray Casey
Jim McAlpine
Nick Nicholson
John Van de Kamp
Bill Walmsley

5TH ANNIVERSARY FACT

Past NTRA Board members include Bill Bork, Robert Clay, Joseph DeFrancis, Douglas Donn, Ed Friendly, R.D. Hubbard, Robert Lewis, Kenneth Noe, Jr., Lonny Powell, Frank Stronach and Bill Walmsley.

Horsemen's, Owners' and Breeders' Representatives



John Amerman
Thoroughbred
Owners & Breeders
Association



Alan Foreman
Thoroughbred
Horsemen's
Association



**G. Watts
Humphrey, Jr.**
Breeders' Cup
Limited



Ogden Mills Phipps
The Jockey Club



John Roark
National HBPA

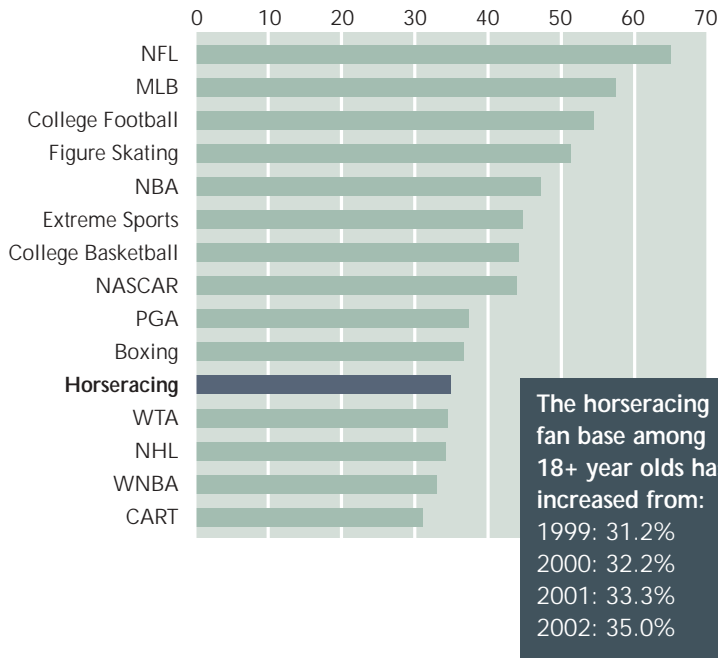


D.G. Van Clief, Jr.
Breeders' Cup
Limited

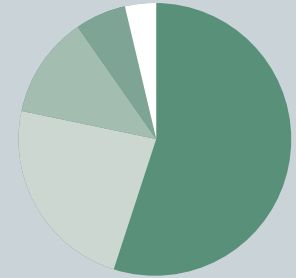


John Van de Kamp
Thoroughbred
Owners of California

Fan Bases Among U.S. Population 18+ in 2002
(Fan base percentages)



Total Size of NTRA Custom Fan Segment—Approximately 84 Million 18+ Year Olds in the U.S.
(based on 209 million 18+)



FAN SEGMENT DEFINITIONS

- CORE FANS** 3.1 million
Bet on horseracing at least a few times a month.
- LIGHT FANS** 19.7 million
Have bet on horseracing at least once or twice a year, but not at Core level.
- LAPSED FANS** 10.0 million
Have bet on horseracing, bet less than once a year but within the past two years.
- SOCIAL FANS** 5.0 million
Have never bet on horseracing but are at least “a little bit interested” in horseracing and attend at least once or twice a year.
- INACTIVE FANS** 46.0 million
At least “a little bit interested” in horseracing but have never bet. If they ever attend, it is less than once a year.

5TH ANNIVERSARY FACT From 1999 to 2002, fan interest in horseracing grew 12.2 percent.

Percentage Point Change '02 vs. '01 of Horseracing Fan Base (18+)

Age Demographic	U.S. Pop.		Males		Females		U.S. Population			
	18+	18+	18+	18+	18+	18+	18-34	35-44	45-54	55+
Very Interested	+1.0	+1.0	+1.0	+1.0	+0.6	+0.4	+1.8	+0.2		
Somewhat Interested	+0.9	+0.7	+1.1	+0.7	+1.6	+0.2	+1.3			
A Little Bit Interested	(-0.5)	(-0.1)	(-0.7)	+1.1	(-2.6)	(-0.2)	(-1.0)			
Total Fans	+1.4	+1.6	+1.4	+2.4	(-0.6)	+1.8	+0.5			

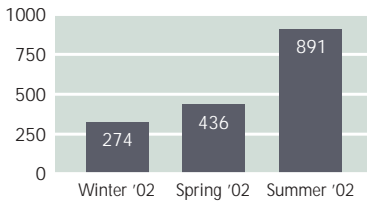
The fan base for horseracing among 18-34 year olds grew from 24.9 percent in 2001 to 27.3 percent in 2002, a 9.6 percent growth rate. By comparison, Major League Baseball, the NFL and the NHL all showed decreases in the percentage of 18-34 year olds who are “fans.” The NBA increased by only 0.1 percentage point.

CONSUMER PROMOTIONS & PRODUCTS

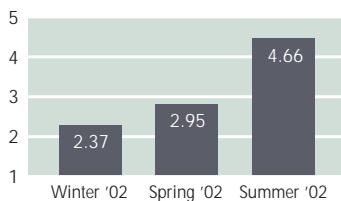
NTRA develops national promotions and new wagering products in conjunction with its member associations, which are implemented in local markets to increase consumer participation in pari-mutuel horseracing and grow the sport's popularity.



Total Direct Mail Pieces Distributed
(in thousands)



\$ Amount Eligible for Redemption
(in millions)



Through a special stimulus fund of \$1.5 million, allocated for 2002, NTRA expanded its consumer promotions and boosted the value of its Mystery Mutuel Voucher program by 33 percent, to just under \$10 million. More than 1.6 million vouchers were mailed in 2002—each worth at least \$2 and redeemable at NTRA member racetracks on specific dates—producing double-digit increases in on-track attendance and pari-mutuel handle on redemption days.

The *Daily Racing Form*/NTRA National Handicapping Championship, a tournament for horseplayers, brought a record 213 finalists and 53 teams to Las Vegas in 2003 to compete for more than \$200,000 in cash prizes, including a \$100,000 grand prize. Qualifying rounds bring more than 35,000 players to NTRA member racetracks each year.

In 2003, NTRA will offer an expanded roster of promotions with its sponsors:

- Guinness will promote the Breeders' Cup World Thoroughbred Championships with retail partners throughout California;
- SEGA and Guinness will promote SEGA's Derby Owners' Club game through co-branded tournaments aimed at players ages 21-35;
- Long John Silver's will promote consumer traffic at LJS restaurants as well as viewership of the \$1 million Long John Silver's Breeders' Cup Juvenile Fillies race through a national sweepstakes; and
- John Deere will host "2-Cylinder Club" promotions for horsemen and fans at NTRA member racetracks, with displays of antique John Deere tractors during special state-bred racing festivals.

In 2002, NTRA converted its Web site to an interactive resource for player development. The site's "Bet the Net" online game, teaching the fundamentals of pari-mutuel wagering, engaged 75,000 individual players. NTRA.com finished 2002 with 29.4 million page views and 3.6 million unique visitors—representing increases of 474 percent and 63 percent, respectively.



Expanding its line of wagering products for the Breeders' Cup World Thoroughbred Championships, NTRA in 2002 developed Head2Head. The simplified pari-mutuel wager challenges players to pick which of two horses will finish ahead of the other in an actual race. Head2Head generated incremental wagers of \$768,894 in its first year and will be renewed for 2003. NTRA.com offers online simulations of the wager to familiarize players with the new product. Future Bet wagering on the Breeders' Cup races was offered for the first time in 2002 as well.



The *Daily Racing Form*/NTRA National Handicapping Championship and qualifying tournaments have awarded more than \$5 million in prize money since 1999. This year's \$100,000 Grand Prize winner was Steve Wolfson, Jr., (center) pictured with DRF Chairman and Publisher Steve Crist (left) and NTRA Senior Vice President of Marketing and Industry Relations Keith Chamblin (right).

5TH ANNIVERSARY FACT

Since its inception in 2000, the Mystery Mutuel Voucher promotion has offered more than \$20 million in cash prizes, producing a 17-percent average increase in attendance and a five-percent increase in handle at participating sites.



SEGA's Derby Owners' Club horseracing game is co-promoted by NTRA.



More than 11 million viewers tuned in to NBC's five-hour telecast of the 2002 Breeders' Cup World Thoroughbred Championships, a seven-percent increase in viewership. Overall ratings grew 18 percent, to a 2.0, the highest since 1998.



5TH ANNIVERSARY FACT

Since the NTRA's inception, the number of television hours for horseracing has grown 56 percent.

NTRA's Marketing Partner, TVG, provides televised live racing from top tracks throughout the country and the convenience of in-home account wagering. TVG, which has exclusive agreements with more than 20 partner racetracks, had total handle in 2002 in excess of \$159 million, up 251 percent compared to the prior year.

In connection with the extension of its ESPN contracts through 2008, NTRA is now working with its member racetracks to deliver exclusive, three-year rights to networks, the first step in improved rights aggregation.



Three of the four CBS "NTRA Summer Racing Tour" telecasts in 2003 will feature National Pick-3 Wagering.

SPONSORSHIP & GROUP PURCHASING

With its unique combination of media assets, hospitality and group purchasing, NTRA offers sponsors and marketing partners preferred access to more than 500,000 affiliated members and a consumer audience of 84 million adults.



In a contracting market for sports sponsorships, NTRA grew its national sponsors list from three to nine in 2002 and increased its sponsor revenues by several million dollars. NTRA's growth in the sponsorship area is due in large part to its ability to offer group purchasing in its sales packages, a benefit unmatched by other sports. The combination of group purchasing sales and sponsorship gives NTRA marketing partners both a quantifiable return on investment as well as more traditional brand-building, corporate hospitality and media benefits.

NTRA's sponsor hosting sites in the U.S. include some of the country's premier racetracks: Arlington Park, Belmont Park, Churchill Downs, Del Mar Thoroughbred Club, Keeneland, Lone Star Park, Pimlico Racecourse, Sam Houston Race Park, Santa Anita Park and Saratoga Racecourse.

For group purchasing sales to NTRA members, NTRA Purchasing coordinates purchase-tracking programs, product displays and demonstrations, promotions and industry communications.



The alliance linking Ascot and Longchamp racecourses with the Breeders' Cup World Thoroughbred Championships enables NTRA to offer hospitality sites in England and France in addition to media and promotions.



Divisional races leading up to the Breeders' Cup World Thoroughbred Championships offer sponsors a range of opportunities for media and hospitality.



NTRA's national sponsors now include:

Bessemer Trust

John Deere

NetJets

Long John Silver's

Alberto-Culver

FedEx

Guinness

Toshiba

SEGA

5TH ANNIVERSARY FACT

NTRA now has more than 20 marketing partners, sponsors and official suppliers, including John Deere, Toshiba and Sherwin-Williams.



Sponsor benefits in conjunction with the \$13 million Breeders' Cup World Thoroughbred Championships include on-site hospitality, signage, advertising, promotions and live, nationally televised programming on NBC.



New depreciation rules in 2002 give Thoroughbred buyers a 30 percent depreciation bonus on horses purchased before Sept. 11, 2004, and greatly accelerate tax write-offs for racehorses in the first three years of racing, giving owners \$100 million of additional capital for reinvestment in the horse industry.

NTRA PAC Board Members

Lucy Young Boutin
Bill Casner
Donald R. Dizney
C. Steven Duncker
William S. Farish, Jr.
Thomas Gaines
John C. Harris
Robert T. Manfuso
Robert S. Strauss

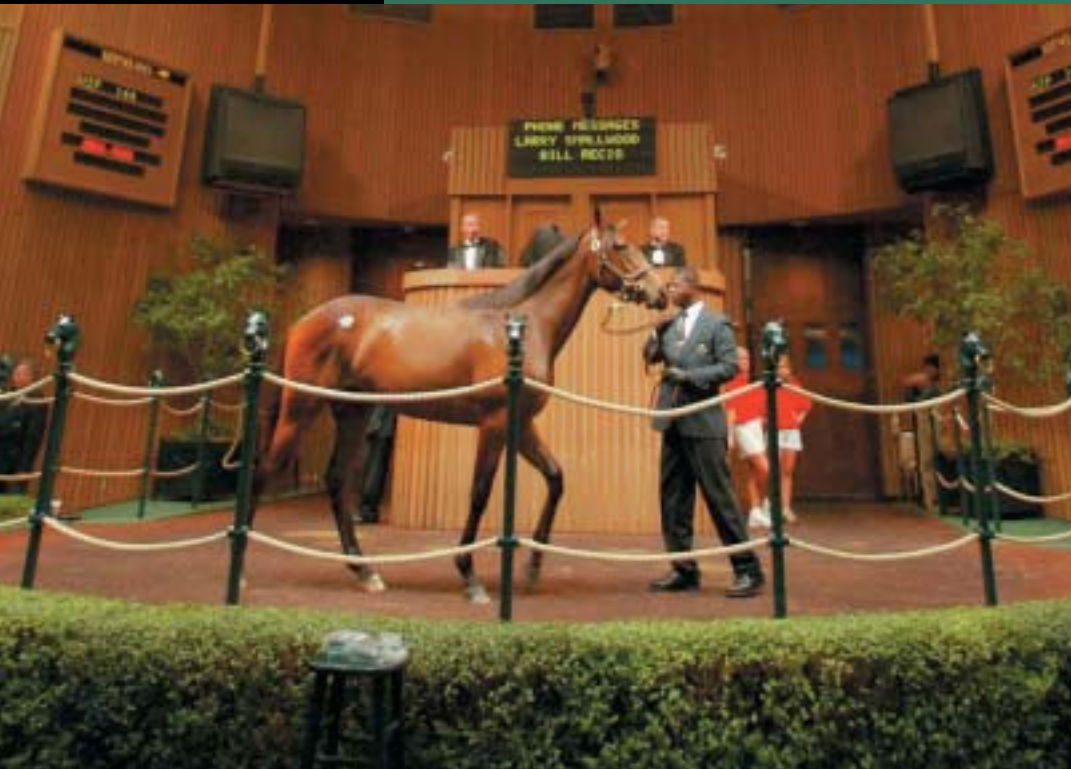
NTRA communicates with its membership regarding legislative programs through a committee of recognized industry leaders who share information on NTRA programs and services with their peers.

Communications Committee

Craig Bendoroff
Rollin Baugh
William Boniface, Jr.
Doug Cauthen
Kerry Cauthen
Tony Cissell
Robert Courtney, Jr.
William S. Farish, Jr.
Ben Haggin
David Hayden
Russell Jones
Doug Koch
Harry "Chip" Landry
Kevin Lavin
Robert T. Manfuso
Dan Metzger
Michael Pons
Sam Ramer
Andy Schweigardt
Suzi Shoemaker
John Sikura
Duncan Taylor
Francis Vanlangendonck
Thomas Van Meter, DVM
Bennett Bell Williams
Bayne Welker

5TH ANNIVERSARY FACT

NTRA's annual funding for legislative and lobbying programs now exceeds \$1 million, a 25-fold increase over previous levels.



By donating a portion of sale proceeds, Thoroughbred buyers, sellers, consignors and auction houses contribute to NTRA legislative programs.

MEMBERSHIP & INDUSTRY PROGRAMS

As both a membership organization and a trade association, NTRA administers a wide range of programs for the betterment of the horseracing industry.



NTRA is an active participant in the Racing Medication and Testing Consortium. Chaired by Breeders' Cup President and NTRA Vice Chairman D.G. Van Clief, Jr., the Consortium represents 23 racing industry stakeholder groups responsible for horseracing's \$25 million equine drug testing program. The Consortium's goals include the funding of research projects on equine pharmacology and the establishment of uniform medication policies for horseracing.

Through Breeders' Cup Limited, NTRA will award more than \$18.96 million in cooperative purses through the Breeders' Cup Stakes Program in 2003, spread among 103 races at 40 racetracks in 19 states and three Canadian provinces. NTRA member tracks receive preference in the allocation of Breeders' Cup stakes monies.

NTRA added the Arizona HBPA, Oregon HBPA, California Authority of Racing Fairs, Delaware Park, Evangeline Downs, Hawthorne National, Oaklawn Park, Tampa Bay Downs, Turf Paradise and Woodbine Entertainment Group to its membership roster for 2002/2003.



Special Affiliate The American Quarter Horse Association, the world's largest breed registry with more than 340,000 members and four million registered Quarter Horses, has been an NTRA Special Affiliate since 1998.



NTRA Purchasing passed on \$3.5 million in savings to NTRA members in 2002. In conjunction with American Quarter Horse Association, NTRA offers group purchasing to select AQHA members under the AQHA Members Plus program, inaugurated in mid-2002. NTRA Purchasing offers cost savings on products and services from FedEx, Sherwin-Williams, John Deere and others.

5TH ANNIVERSARY FACT NTRA has assumed a leadership role in equine drug testing programs and research to establish uniform medication policies.

NTRA WAGERING INTEGRITY ALLIANCE	
Founding Members	
National Thoroughbred Racing Association	Oak Tree Racing Association
Breeders' Cup Limited	The Jockey Club
Churchill Downs Incorporated	Television Games Network (TVG)
Magna Entertainment Corp.	Thoroughbred Sales Companies: Keeneland, Fasig-Tipton Company and others
New York Racing Association	
Supporters	
American Association of Equine Practitioners	Horsemen's Benevolent and Protective Association
American Quarter Horse Association	Ruidoso Downs
Anonymous	Thoroughbred Horsemen's Association
Del Mar Thoroughbred Club	Tote Companies: Autotote, AmTote, United Tote and others
Los Alamitos Racecourse	Thoroughbred Owners and Breeders Association
Emerald Downs	Winnercomm
Retama Park	
New Jersey Sports & Exposition Authority	

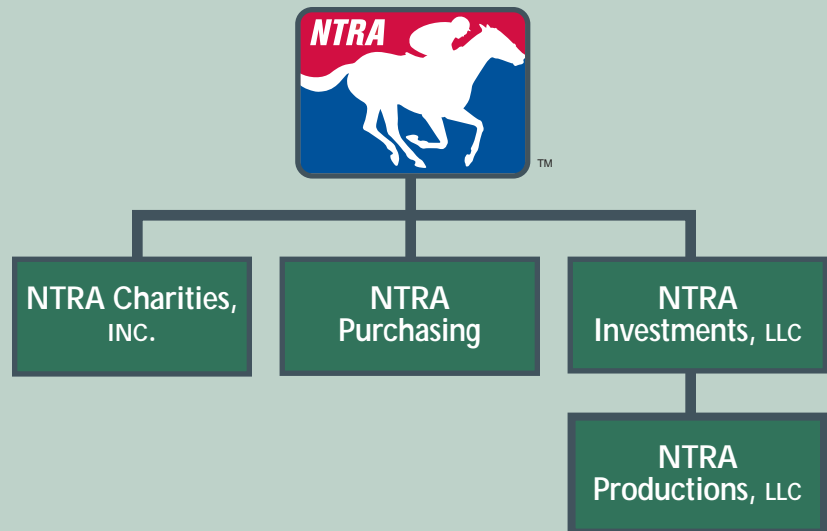
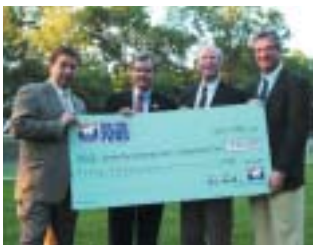
Wagering Technology Working Group

In 2002 the NTRA formed the Wagering Technology Working Group and the Wagering Integrity Alliance to ensure the continued integrity and security of horseracing's wagering systems. Members of the Wagering Technology Working Group include:

- Paul Berube
Thoroughbred Racing Protective Bureau
- Dan Fick
The Jockey Club
- Jim Gallagher
New York Racing Association
- Ed Hannah
Magna Entertainment Corp.
- Jay Hickey
American Horse Council
- Frank Lamb
North American Pari-Mutuel Regulators Association
- Alan Marzelli
The Jockey Club
- Ron Nichol
Canadian Pari-Mutuel Agency
- Lonny Powell
Association of Racing Commissioners International
- Jim Quinn
Thoroughbred Racing Fan Ombudsman
- Chris Scherf
Thoroughbred Racing Associations
- Michael Shagan
Pari-Mutuel Industry Consultant
- Tim Smith
NTRA
- Gary Carpenter
American Quarter Horse Association
- David Sweazy
Churchill Downs Incorporated
- D.G. Van Clief, Jr.
Breeders' Cup Limited

ORGANIZATIONAL STRUCTURE

The NTRA is a tax-exempt membership organization that encompasses all segments of the Thoroughbred racing and breeding industry.



NTRA Charities, Inc. Increases awareness of Thoroughbred racing's civic and community activities through public service announcements and local charitable programs. Its national affiliate is Ronald McDonald House Charities and its Thoroughbred industry affiliates are Grayson-Jockey Club Research Foundation, The Jockey Club Foundation, Race Track Chaplaincy of America, ReRun, Thoroughbred Charities of America, Thoroughbred Retirement Foundation and Tranquility Farm.

NTRA Investments, LLC Makes strategic acquisitions to benefit NTRA members.

NTRA Productions, LLC Offers television production services and controls the world's largest archive of horseracing footage as well as numerous programming contracts.

NTRA Purchasing Delivers cost reduction and efficiencies to NTRA members through group purchasing.



NTRA member organizations host a range of fund-raising activities for Ronald McDonald House Charities and other local community programs. In 2002, the horseracing industry distributed approximately \$11 million to charity.

Thoroughbred Industry Council

Through quarterly meetings, the Thoroughbred Industry Council offers insights and recommendations to NTRA senior management and the NTRA Board on issues affecting the Thoroughbred industry. Council members include:

- American Association of Equine Practitioners
- American Horse Council
- American Quarter Horse Association
- Association of Racing Commissioners International
- Breeders' Cup Limited
- California Thoroughbred Breeders Association
- Florida Thoroughbred Breeders' and Owners' Association
- The Jockey Club
- Jockeys' Guild
- Kentucky Thoroughbred Association/ Kentucky Thoroughbred Owners and Breeders
- National Horsemen's Benevolent and Protective Association

5TH ANNIVERSARY FACT

Through its New York Heroes Fund, NTRA Charities has disbursed \$4.1 million to Sept. 11-related charities since 2001.



NTRA Charities' national affiliate Ronald McDonald House Charities provides the comforts of home to families whose children are being treated at nearby medical facilities. RMHC has a global network of more than 170 Chapters in 44 countries and has awarded more than \$340 million in grants to make a positive impact on the lives of children.

- National Thoroughbred Association (TOBA)
- Nevada Pari-mutuel Association
- New York City Off-Track Betting Corporation
- North American Pari-mutuel Regulators Association
- Oak Tree Racing Association
- Society of International Thoroughbred Auctioneers
- Southern California Horse Racing Industry Fan Committee
- Thoroughbred Horsemen's Association
- Thoroughbred Owners and Breeders Association
- Thoroughbred Owners of California
- Thoroughbred Racing Associations of North America
- Triple Crown Productions
- United Thoroughbred Trainers of America
- University of Arizona Race Track Industry Program
- University of Louisville Equine Industry Program
- Woodbine Entertainment Group

A FINAL WORD

NTRA was founded on the premise that Thoroughbred racing could grow and prosper only through the creation of a strong, centralized marketing platform and national association for the sport. That premise has been validated.



After a sometimes tumultuous beginning, NTRA gained much-needed financial and operational strength through a combination with Breeders' Cup Limited in 2001. NTRA and Breeders' Cup since have developed complementary programs for marketing, advertising, promotions, television, consumer research, publicity, sponsorship sales, group purchasing and legislative advocacy, benefiting the organizations' combined membership and the industry as a whole.

We continue to build our organizational strength and business structure in the belief that, as a stronger national office, NTRA can do more to benefit its constituents.

The NTRA and its Board of Directors appreciate your continued support as we carry out the mission with which you have entrusted us: to increase the popularity of Thoroughbred racing and improve the sport's economics for NTRA members.



FINANCIAL STATEMENTS

National Thoroughbred Racing Association, Inc. and Subsidiaries

Consolidated Financial Statements and Other Financial Information

For the Years Ended December 31, 2002 and 2001

Contents

Report of Independent Auditors.....	24
Consolidated Statements of Financial Position As of December 31, 2002 and 2001 (with Consolidating Details in 2002)	25
Consolidated Statements of Activities and Changes in Net Assets For the Years Ended December 31, 2002 and 2001 (with Consolidating Details in 2002)	26
Consolidated Statements of Cash Flows For the Years Ended December 31, 2002 and 2001.....	28
Notes to Consolidated Financial Statements	29

Report of Independent Auditors

The Board of Directors

National Thoroughbred Racing Association, Inc. and Subsidiaries

We have audited the accompanying consolidated statements of financial position of National Thoroughbred Racing Association, Inc. as of December 31, 2002 and 2001, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of National Thoroughbred Racing Association, Inc. as of December 31, 2002 and 2001, and the consolidated results of its activities, its changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating details appearing in the consolidated financial statements are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Ernst + Young LLP

March 21, 2003

Consolidated Statements of Financial Position

As of December 31, 2002 and 2001 (with Consolidating Details in 2002)

	NTRA, Inc.	NTRA Investments, LLC	Intercompany Eliminations	2002 Consolidated	2001 Consolidated
Assets					
Cash and cash equivalents	\$ 3,048,635	\$ 1,409,374	–	\$ 4,458,009	\$ 2,452,536
Assets limited to use by Board	–	–	–	–	1,500,000
Accounts receivable, net	3,997,943	1,328,242	(575,338)	4,750,847	5,105,955
Receivable from (to) BCL	1,206,012	(25,833)	–	1,180,179	1,000,684
Prepaid expenses	1,156,706	212,689	–	1,369,395	431,177
Other assets	1,003,203	–	(22,500)	980,703	1,265,223
Property and equipment, net	569,660	–	–	569,660	837,249
Due (to) from subsidiaries	(166,793)	166,793	–	–	–
Investment in subsidiaries	500,000	–	(500,000)	–	–
Intangibles, net	477,631	13,967,752	–	14,445,383	13,686,505
Total assets	\$11,792,997	\$17,059,017	\$(1,097,838)	\$27,754,176	\$26,279,329
Liabilities and net assets					
Accounts payable	\$ 2,378,823	\$84,372	\$(562,838)	\$ 1,900,357	\$ 1,833,077
Accrued liabilities	3,604,511	100,981	(35,000)	3,670,492	3,217,255
Deferred revenue	443,333	17,000	–	460,333	254,441
Deferred purchase consideration	–	2,250,000	–	2,250,000	2,250,000
Current portion of long-term debt	87,917	–	–	87,917	–
Long-term debt	298,688	16,000,000	–	16,298,688	16,000,000
Other long-term liabilities	440,848	–	–	440,848	–
Total liabilities	7,254,120	18,452,353	(597,838)	25,108,635	23,554,773
Minority interest	–	25,000	(25,000)	–	–
Net assets					
Preferred membership interest	–	500,000	(500,000)	–	–
Board designated net assets	–	–	–	–	1,500,000
Undesignated net assets	4,538,877	(1,918,336)	25,000	2,645,541	1,224,556
Total net assets	4,538,877	(1,418,336)	(475,000)	2,645,541	2,724,556
Total liabilities and net assets	\$11,792,997	\$17,059,017	\$(1,097,838)	\$27,754,176	\$26,279,329

See accompanying notes.

Consolidated Statements of Activities and Changes in Net Assets

For the Years Ended December 31, 2002 and 2001 (with Consolidating Details in 2002)

	NTRA, Inc.	NTRA Investments, LLC	Intercompany Eliminations	2002 Consolidated	2001 Consolidated
Operating revenues					
Revenues from BCL	\$32,691,909	\$ –	\$ –	\$32,691,909	\$32,968,777
Membership dues	18,971,982	–	–	18,971,982	19,134,737
Television, sponsorship and promotions	6,633,907	14,021,898	(6,902,655)	13,753,150	12,591,459
Contributions—New York Heroes Fund	455,145	–	–	455,145	3,752,920
Drug Testing Task Force	138,552	–	–	138,552	530,445
Other revenues	155,871	–	–	155,871	278,335
Total operating revenues	59,047,366	14,021,898	(6,902,655)	66,166,609	69,256,673
Operating expenses					
Television	7,838,943	10,872,448	(5,461,243)	13,250,148	13,971,022
Sponsorship	2,154,498	–	(16,157)	2,138,341	1,141,273
Advertising, marketing and promotions	20,167,914	–	(1,425,255)	18,742,659	21,164,792
Purses and awards	20,797,914	–	–	20,797,914	19,056,570
Legislative and regulatory	1,517,776	–	–	1,517,776	1,252,753
Drug Testing Task Force	165,780	–	–	165,780	530,445
Contributions—New York Heroes Fund	455,145	–	–	455,145	3,752,920
General and administrative	4,802,945	57,599	–	4,860,544	5,198,682
Depreciation and amortization	675,841	1,968,754	–	2,644,595	2,765,756
Total operating expenses	58,576,756	12,898,801	(6,902,655)	64,572,902	68,834,213
Excess of operating revenues over operating expenses	470,610	1,123,097	–	1,593,707	422,460
Non-operating income (expense)					
Investment income	126,388	10,517	(22,500)	114,405	201,788
Interest expense	(23,916)	(893,581)	–	(917,497)	(944,258)
Other income	180,579	1,252	–	181,831	1,060,771
Total non-operating income (expense)	283,051	(881,812)	(22,500)	(621,261)	318,301
Excess of revenues over expenses before special contributions and expenses	753,661	241,285	(22,500)	972,446	740,761

Continued next page.

Consolidated Statements of Activities and Changes in Net Assets

For the Years Ended December 31, 2002 and 2001 (with Consolidating Details in 2002)

<i>continued</i>	NTRA, Inc.	NTRA Investments, LLC	Intercompany Eliminations	2002 Consolidated	2001 Consolidated
Special contributions (expenses)					
Wagering Integrity Alliance—contributions	301,000	–	–	301,000	–
Wagering Integrity Alliance—expenses	(1,352,461)	–	–	(1,352,461)	–
	(1,051,461)	–	–	(1,051,461)	–
Excess of revenues over (under) expenses	(297,800)	241,285	(22,500)	(79,015)	740,761
Other changes					
Preferred membership interest	–	500,000	(500,000)	–	–
Dividends declared	–	(22,500)	22,500	–	–
Board designated allocations for programs in 2002	1,500,000	–	–	1,500,000	(1,500,000)
Change in undesignated net assets (deficit)	1,202,200	718,785	(500,000)	1,420,985	(759,239)
Undesignated net assets (deficit) at beginning of year	3,336,677	(2,137,121)	25,000	1,224,556	1,983,795
Undesignated net assets (deficit) at end of year	4,538,877	(1,418,336)	(475,000)	2,645,541	1,224,556
Board designated net assets at beginning of year	1,500,000	–	–	1,500,000	–
Board designated net assets released from restriction	(1,500,000)	–	–	(1,500,000)	1,500,000
Board designated net assets at end of year	–	–	–	–	1,500,000
Total net assets (deficit) at end of year	\$ 4,538,877	\$(1,418,336)	\$ (475,000)	\$2,645,541	\$2,724,556

See accompanying notes.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2002 and 2001

	2002	2001
Cash flows from operating activities		
Excess of revenues over (under) expenses	\$ (79,015)	\$740,761
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by operating activities:		
Loss on disposal of assets	107,811	-
Depreciation and amortization	2,644,595	2,765,756
Amortization of discount on long-term receivable	(51,610)	(29,742)
Amortization of discount on long-term debt	22,601	-
Changes in operating assets and liabilities:		
Decrease in accounts receivable, net	355,108	2,099,408
Decrease (increase) in prepaid expenses	(938,218)	1,019,571
Decrease (increase) in other assets	286,130	(252,212)
Increase in receivable from BCL	(179,495)	(1,113,707)
Increase (decrease) in accounts payable	67,280	(3,909,598)
Increase in accrued liabilities	453,237	695,501
Increase (decrease) in deferred revenue	205,892	(349,740)
Increase in other long-term liabilities	440,848	-
Net cash provided by operating activities	3,335,164	1,665,998
Cash flows from investing activities		
Purchase of Winner Communications, Inc. assets	(2,250,000)	(4,500,000)
Purchase of intangible assets	(634,607)	-
Purchase of property and equipment	(359,088)	(453,646)
Other	-	(9,000)
Net cash used in investing activities	(3,243,695)	(4,962,646)
Cash flows from financing activities		
Issuance of long-term debt	601,088	2,000,000
Payment against long-term receivable	50,000	72,351
Payment of long-term debt	(237,084)	-
Board designated allocations for programs in 2002	1,500,000	(1,500,000)
Net cash provided by financing activities	1,914,004	572,351
Net increase (decrease) in cash and cash equivalents	2,005,473	(2,724,297)
Cash and cash equivalents at beginning of year	2,452,536	5,176,833
Cash and cash equivalents at end of year	\$ 4,458,009	\$2,452,536
Supplemental disclosure		
Cash paid for interest	\$669,894	\$993,842

See accompanying notes.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2002 and 2001

1. Nature of Business and Organization

The National Thoroughbred Racing Association, Inc. (the "NTRA" or "NTRA, Inc."), 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 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") and NTRA Purchasing (previously EquiSource, LLC). NTRA Charities is a not-for-profit tax-exempt charitable organization whose purpose is to broaden the Thoroughbred industry's scope of community outreach through a national affiliation with Ronald McDonald House Charities and to promote and support existing charities in, and related to, the Thoroughbred industry. NTRA Purchasing, 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 ("NTRA Investments"), as reported on the consolidated statements of financial position and the consolidated statements of activities and changes in net assets, is a for-profit, limited liability company of which NTRA has a 75% ownership interest. The remaining 25% interest is owned collectively by The Jockey Club, Inc., Breeders' Cup Properties, LLC (an affiliate of the NTRA), Keeneland Association and Oak Tree Charitable Foundation (collectively the "Minority Partners"). NTRA Investments includes a wholly owned subsidiary, NTRA Productions, LLC ("NTRA Productions"). NTRA Productions offers television production services and controls the world's largest archive of horseracing video as well as numerous programming contracts. 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 performs certain Membership and Management Services, defined as the performance of normal day-to-day business operations of BCL. In exchange for such services, BCL provides NTRA with a Membership and Management Services Fee. This fee is equal to all BCL operating revenues, less investment income and other expenses necessary to operate BCL.

In connection with this Agreement and the required services, BCL provides a non-transferable, non-exclusive, royalty-free license for NTRA to utilize various intellectual property, including copyrights, patents, trademarks, logos, customer information and other information. BCL retains full ownership of its property and the rights associated with it. NTRA will pay a one-time license fee of \$1,500,000 on or before December 31, 2003 in the event that NTRA's net assets exceed \$6,500,000 on or before December 31, 2003. If NTRA achieves net assets of \$6,500,000 in years 2004 to 2010, the one-time license fee increases to a range from \$1,600,000 to \$2,250,000. Such fee will be recorded when it is due and payable.

In addition, BCL leases to NTRA all furniture, fixtures, equipment, supplies, databases and other tangible personal property. Consideration for the rental of these items is provided within the performance of the Membership and Management Services. Effective January 31, 2001, the lease for the corporate office of BCL was assigned to the NTRA. On January 1, 2001, employees of BCL became employees of NTRA and their accumulated benefits were carried forward.

At its discretion, BCL may provide NTRA with an annual allocation in support of NTRA programs and operations for a specific year. This amount will be payable on or before December 31 of each year. For the years ended December 31, 2002, and 2001, the annual allocation is \$2,000,000 and \$2,500,000, respectively. These amounts are included in revenues from BCL in the consolidated

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2002 and 2001

statements of activities and changes in net assets. For 2003, BCL has committed an allocation of \$1,000,000. The Membership and Management Services Agreement is terminable by the mutual consent of the NTRA and BCL or by either party under certain circumstances as defined in the Agreement.

Purchase of Winner Communications, Inc. Assets

The Minority Partners have loaned NTRA Investments \$16,000,000 in order to finance NTRA Productions' purchase of certain assets of Winner Communications, Inc., now called, and henceforth referred to as Winnercomm, Inc. ("Winnercomm"), as described below (see "Long-Term Debt" and "Related Parties"). The total contracted purchase price for the assets of Winnercomm is \$27,500,000, subject to adjustments, as described below, originally payable over a five-year period without interest, with \$8,500,000 payable at the date of acquisition, \$5,500,000 payable in April 2000 and \$4,500,000 payable each April in 2001 through 2003. Effective January 1, 2002, the Purchase Agreement was amended whereby the remaining two payments of \$4,500,000 in each of 2002 and 2003 would be revised to four payments of \$2,250,000 in each of 2002 through 2005. Interest will be payable on the amounts due in 2003 through 2005 at a rate of 6% per year from the date the amount would have been paid under the original agreement. The Association paid approximately \$6,800,000 at the date of acquisition, representing the initial installment of \$8,500,000, reduced by certain adjustments, as defined in the Purchase Agreement. Remaining payments were originally based upon Winnercomm's achievement of guaranteed minimum net income of \$5,800,000 in the aggregate for years 2002 through 2003. Under the revised agreement, Winnercomm must achieve \$10,400,000 in the aggregate for years 2002 through 2005. If the guaranteed minimum income is not met in a given year, the payment for that year is reduced on a dollar-for-dollar basis by the net income shortfall.

The guaranteed net income was satisfied for the years ended December 31, 2002 and 2001; accordingly, \$2,250,000 is included in deferred purchase consideration on the consolidated statements of financial position as of December 31, 2002 and 2001, respectively.

In conjunction with the purchase, NTRA Productions and Winnercomm originally entered into a Services Agreement (the "Services Agreement") through December 31, 2003, under which Winnercomm provides the production and programming services for NTRA Productions' horseracing programming and is responsible for generating advertising and sponsorship revenue in connection with the programming. Under the Services Agreement, NTRA Productions paid a management fee of approximately \$2,780,000 and \$2,610,000 for the years ended December 31, 2002 and 2001, respectively. Effective January 1, 2002, the Services Agreement was extended through 2008, with expected management fees of \$2,865,000 in 2003, \$3,703,000 in 2004, \$3,811,000 in 2005, \$3,923,000 in 2006, \$4,040,000 in 2007 and \$4,162,000 in 2008.

Founding Member Dues

During 2000, the Thoroughbred Owners and Breeders Association ("TOBA") became the sixth Founding Member of NTRA. TOBA will pay Founding Member dues of \$1,000,000 in installments through 2005, of which \$175,000 is receivable at December 31, 2002 and \$50,000 at December 31, 2001. The receivable is included in other assets on the consolidated statements of financial position, net of discount to present value at 8.5%. At December 31, 2002, the receivable is due to be collected as follows:

Currently due	\$175,000
Less than one year	175,000
One to two years	400,000
Subtotal	<u>750,000</u>
Less: discount to present value	(91,173)
Total	<u>\$658,827</u>

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2002 and 2001

2. 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.

Reclassifications

Certain reclassifications have been made to the 2001 consolidated financial statements to conform to the 2002 presentation.

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 the Membership and Management Services Fee provided by BCL. Other primary sources of revenue in both 2002 and 2001 are membership dues along with fees associated with television, sponsorship and promotions.

Racetrack members and horsemen's association dues are recognized in the year to which the membership relates. Breeders' dues are recognized in the year that corresponds to the related breeding season of the stallion. Dues from public auction sales companies, sellers and buyers 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, sponsorship and promotion revenues are earned based upon the satisfaction of contractual terms and are reported net of agency commissions, if applicable. All cash received in 2002 related to events occurring in 2003 is appropriately recorded in deferred revenue on the consolidated statements of financial position.

All unrestricted, unconditional charitable contributions are recorded as revenue when the pledges are made. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Restricted contributions received and expended within the same fiscal year are reported as unrestricted contributions. In 2001, the New York Heroes Fund was established by NTRA Charities to assist those affected by the tragic events of September 11. Contributions to this fund in both 2002 and 2001 were remitted to several organizations offering assistance to those affected.

Cash and Cash Equivalents

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

Assets Limited to Use by Board

During 2001, NTRA's Board of Directors designated \$1,500,000 of net assets for the funding of additional consumer promotions and educational programs in 2002. This amount is reflected as Board Designated Allocations for Programs in 2002 on the consolidated statements of activities and changes in net assets. Additionally, the amount is identified as Assets Limited to Use by Board on the consolidated statements of financial position and consists of cash and cash equivalents. The designated net assets were released from restriction and used in 2002 as intended.

Accounts Receivable

Accounts receivable are recorded net of an allowance for doubtful accounts of approximately \$331,000 and \$440,000 as of December 31, 2002 and 2001, respectively. For 2002, 13% of accounts receivable is outstanding from a single customer. No other concentrations of credit risk existed at December 31, 2002 or 2001.

Advertising and Other Assets

The Association expenses print advertising costs as incurred and media advertising costs when the advertising is run. As of December 31, 2002, the Association had included approximately \$939,000 in other assets on the consolidated statements of financial position relating to amounts paid for production costs in advance of media advertising being aired. No amount was recorded as a prepaid in 2001.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2002 and 2001

Intangible Assets

The Association accounts for intangible 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. As part of an ongoing review of the valuation and amortization of the intangible assets of the Association, management assesses the carrying value of its intangible assets if facts and circumstances suggest that there may be impairment. If this review indicates that the intangible assets may not be recoverable, the Association would perform a non-discounted cash flow analysis of the operating results pertaining to such intangible assets. If the estimated undiscounted cash flows were less than the asset carrying value, the value of the intangible assets would be reduced to their estimated realizable value, which would be estimated by discounting the previously estimated cash flows.

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 \$519,000 and \$379,000 in 2002 and 2001, respectively.

Cooperative Advertising Program

Racetracks and off-track betting organizations are eligible to participate in the Association's cooperative advertising program. Under this program, each member is entitled to be reimbursed a portion of membership dues paid to the NTRA for costs incurred by the member to run NTRA-produced television and print advertising in its local market. Included in accounts payable and accrued liabilities at December 31, 2002 and 2001 are amounts totaling approximately \$2,713,000 and \$2,076,000, respectively, relating to this program.

3. Property and Equipment

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

	2002	2001
Computer equipment	\$702,309	\$363,363
Furniture and fixtures	282,383	271,034
Other equipment	139,566	134,622
Leasehold improvements	66,546	62,696
Trailer and equipment	-	641,799
	<u>1,190,804</u>	<u>1,473,514</u>
Less: accumulated depreciation and amortization	(621,144)	(636,265)
	<u>\$569,660</u>	<u>\$837,249</u>

4. Intangible Assets

Intangible assets consist primarily of the purchased assets of Winnercomm, including broadcast rights, a racing video library and intellectual property rights. Effective January 1, 2002, the Purchase Agreement was extended from 2003 to 2005 and the Services Agreement was extended from 2003 to 2008 (see "Nature of Business and Organization—Purchase of Winner Communications, Inc. Assets"). These extensions cause the useful life of the assets to be extended; therefore, the unamortized intangible assets are amortized over the remaining estimated life (seven years remaining as of January 1, 2002 and six years remaining as of January 1, 2001).

During 2002, intangible assets increased by approximately \$2,250,000 as a result of Winnercomm's satisfaction of guaranteed net income (see "Nature of Business and Organization—Purchase of Winner Communications, Inc. Assets").

Effective January 1, 2002, NTRA obtained 100% of the equity interest in EquiSource, LLC, currently referred to as NTRA Purchasing. The purchase price of \$650,000 is payable over four years, with \$237,083 paid in 2002, \$87,917 payable in 2003, and \$162,500 payable in 2004 and 2005. The present value of remaining payments at an interest rate of 6% is recorded on the consolidated statement of financial position as long-term debt in a total amount, including current portion, of \$386,605. Total

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2002 and 2001

purchase consideration was allocated to non-compete agreements, included in intangible assets, net, on the consolidated statement of financial position. The asset is amortized using the straight-line method over the four-year term of the non-compete agreements.

The Association's intangible assets consist of the following as of December 31:

	2002	2001
Broadcast rights	\$21,493,805	\$19,284,755
Non-compete agreements	634,607	-
Film archives	395,365	354,415
	<u>22,523,777</u>	<u>19,639,170</u>
Less: accumulated amortization	<u>(8,078,394)</u>	<u>(5,952,665)</u>
	<u>\$14,445,383</u>	<u>\$13,686,505</u>

Amortization expense is approximately \$2,126,000 and \$2,387,000 for the years ended December 31, 2002 and 2001, respectively.

5. Long-Term Debt

NTRA has a revolving line of credit with a bank for an amount up to \$3,000,000, with interest of 2% below the prime rate (2.25% at December 31, 2002) payable monthly and a maturity date of June 30, 2003. As of December 31, 2002 and 2001, the NTRA had no outstanding borrowings under the line of credit. Interest expense on the line of credit was not significant in 2002 or 2001. The line of credit is guaranteed by BCL, which requires approval of borrowing in excess of \$2 million.

The NTRA holds letters of credit from financial institutions to secure its leases of office space in Lexington, Ky., and New York, N.Y. The letter of credit for the New York office lease is collateralized by marketable securities consisting of United States Treasury obligations that are included in other assets on the consolidated statements of financial position. These marketable securities matured in February 2003 and were reinvested for the remaining term of the related agreements.

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—Purchase of

Winner Communications, Inc. Assets"). The maximum Loan amount to be extended is \$16,000,000 payable in full, with all accrued and unpaid interest on September 30, 2006. This includes \$5,000,000 loaned by an NTRA affiliate (see "Related Parties"). Effective July 1, 2002, interest is payable monthly at 6%. For the period from July 1, 2001 to June 30, 2002, interest was payable monthly at a rate of 1% below the prime rate, and prior to July 1, 2001, interest was payable monthly at a rate of 1% above the prime rate. Interest expense on the Loan (including amounts due to an NTRA affiliate) approximated \$894,000 and \$935,000 in 2002 and 2001, respectively. The assets of NTRA Investments, including NTRA Productions, secure the Loan.

6. Income Taxes

The NTRA is exempt from federal income tax under section 501 (c)(6) of the Internal Revenue Code.

Certain activities of NTRA Investments are subject to tax as unrelated business income. For the years ended December 31, 2002 and 2001, these activities resulted in a net operating loss for tax purposes.

7. Commitments and Contingencies

Rent expense, which includes rent for office space, storage and various equipment in Lexington, Ky., and New York, N.Y., amounted to approximately \$725,000 and \$998,000 for the years ended December 31, 2002 and 2001, respectively. During 2001, NTRA terminated a lease of certain office space; consequently, 2001 rent expense includes a one-time charge of \$175,000.

Future minimum lease payments under existing lease agreements as of December 31, 2002 are as follows:

2003	\$646,000
2004	471,000
2005	481,000
2006	483,000
2007	488,000
Thereafter	<u>122,000</u>
<u>Total</u>	<u>\$2,691,000</u>

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2002 and 2001

8. 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.

Certain other transactions are conducted from time to time among the Association and its affiliates. The Membership and Management Services Fee provided by BCL to NTRA totaled approximately \$33,000,000 in each of 2002 and 2001.

As of December 31, 2002 and 2001, long-term debt includes \$5,000,000 loaned by Breeders' Cup Properties, Inc., a wholly owned subsidiary of BCL, to NTRA Investments. These proceeds were used to purchase the assets of Winnercomm (see "Nature of Business and Organization—Purchase of Winner Communications, Inc. Assets" and "Long-Term Debt"). Interest expense for 2002 and 2001 includes approximately \$248,000 and \$292,000, respectively, related to this indebtedness. Related interest payable approximated \$26,000 and \$17,000 at December 31, 2002 and 2001, respectively.

9. Barter Transactions

The Association has agreements with certain Thoroughbred racing industry publications that provide the NTRA various advertising and marketing benefits. The values of these benefits are recorded at fair market value when the benefits are received. The revenue for barter transactions is recorded at the fair market value of the advertising to be received

when the related agreement becomes effective. Advertising expense is recorded each time an advertisement is run. For the years ended December 31, 2002 and 2001, the Association recognized sponsorship revenue and related advertising expense from these members of approximately \$263,000 and \$617,000, respectively.

10. Benefit Plan

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 contributes an amount equal to 4% of a covered employee's salary. In addition, NTRA matches amounts contributed by covered employees. Matching contributions amount to 100% of the first 3% of employee contributions. The Retirement Plan's contribution expense approximated \$354,000 and \$209,000 for the years ended December 31, 2002 and 2001, respectively.

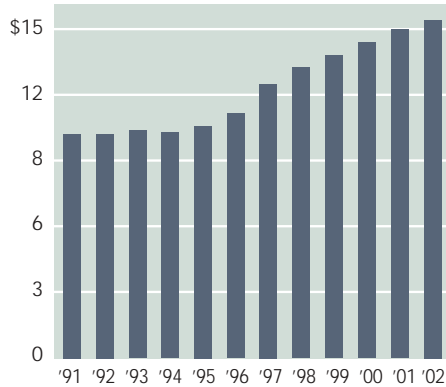
11. Special Contributions and Expenses

As a result of the controversy surrounding a Breeders' Cup Ultra Pick 6 wager placed on October 26, 2002, NTRA formed the Wagering Integrity Alliance ("WIA"). WIA solicits funding to assess and improve the current status of security within the pari-mutuel wagering systems and to provide public communications aimed at strengthening customer confidence in pari-mutuel wagering. WIA solicits contributions from other Thoroughbred industry organizations and expenses these funds in achieving its purpose.

- Notes -

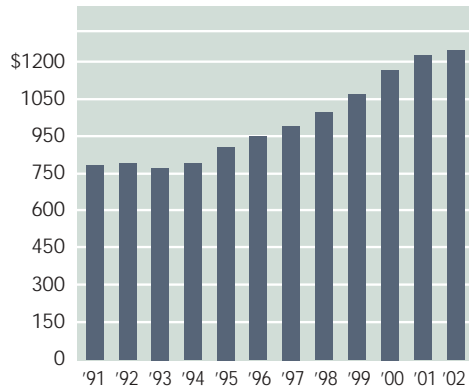
Thoroughbred Racing's Leading Economic Indicators

North American Wagering
(in billions)



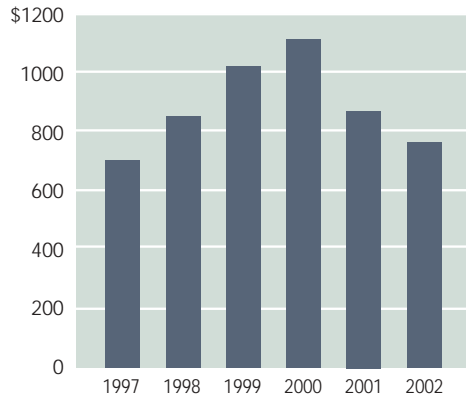
Combined North American wagering on Thoroughbred racing increased 3.3 percent in 2002, with off-track wagering the sport's continued growth sector. Off-track wagering now accounts for 86.5 percent of U.S. handle.

North American Purses
(in millions)



Purses increased 0.6 percent in 2002, the ninth consecutive year of growth. The largest increases took place in states with expanded gaming options at racetracks: New Mexico (+21 percent), Delaware (+16 percent), Louisiana (+8.8 percent) and West Virginia (+7.9 percent).

North American Total Gross Auction Sales
(in millions)

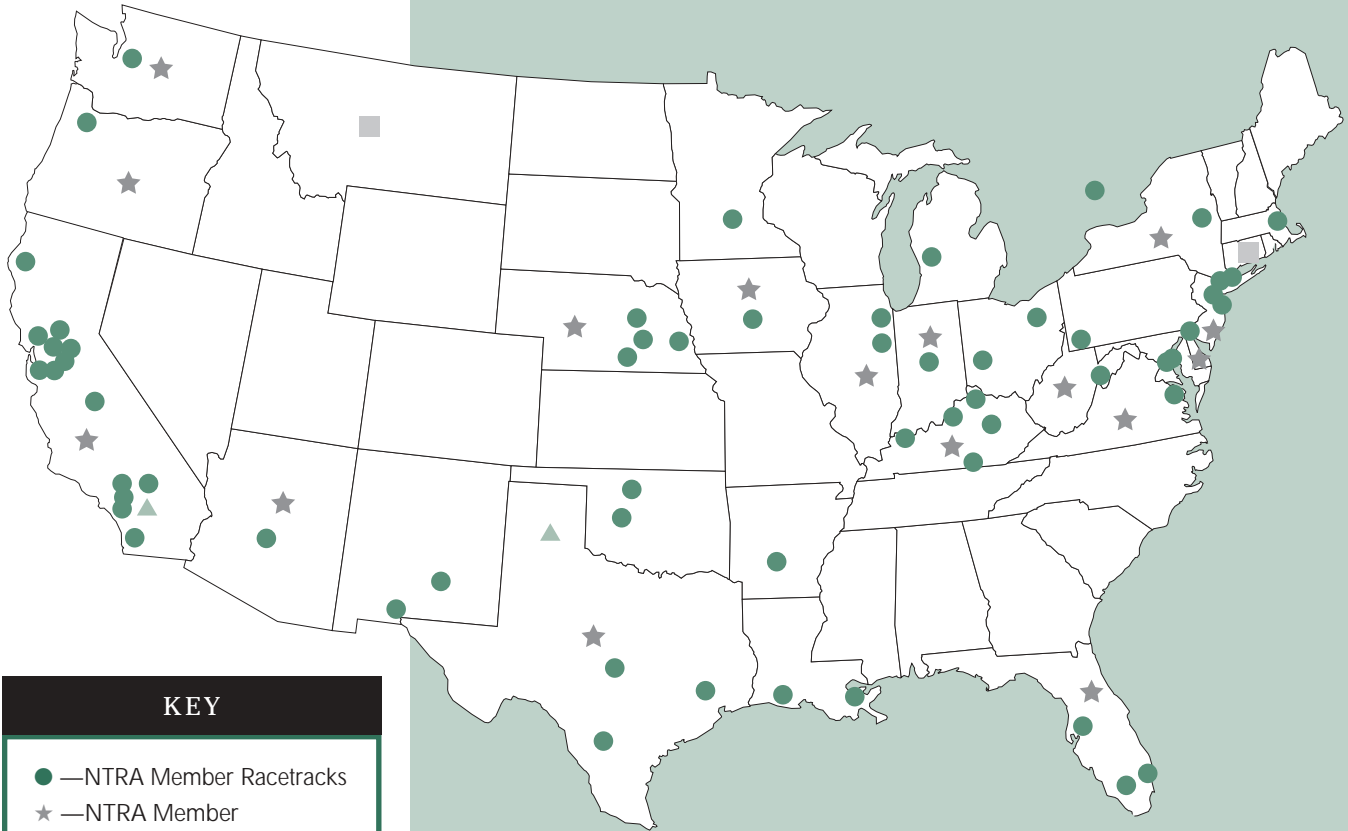


Total gross sales in 2002 declined 9 percent due to a combination of economic weakness in both the United States and key foreign markets as well as a significant reduction in the number of weanlings sold as a result of Mare Reproductive Loss Syndrome, which caused the loss of hundreds of foals in 2001. Segments of the auction market have stabilized, with 2002 gross sales for broodmares increasing by 4.3 percent and sales of two-year-olds increasing 2.2 percent. The number of weanlings sold declined by 18.5 percent, yet corresponding gross sales dipped just 6.6 percent.

Statistics on North American wagering, purses and total gross auction sales courtesy of The Jockey Club.

Images courtesy AQHA, Ascot Racecourse, Benoit Photo, Breeders' Cup Limited, Skip Dickstein, Emerald Downs, France-Galop, Horsephotos.com (James Crisp, Joseph DiOrio, Vincent Dusovic, Michael J. Marten, Harold Roth and Vaughn Youtz), Ronald McDonald House Charities, SEGA and Universal Pictures.

NTRA MEMBER RACETRACKS AND ASSOCIATIONS



KEY

- —NTRA Member Racetracks
- ★ —NTRA Member Horsemen's Associations
- —NTRA Member Off-track Betting Organizations
- ▲ —NTRA Affiliates

Horsemen's Associations

Arizona HBPA
 Charles Town HBPA
 Delaware THA
 Florida HBPA
 Illinois THA
 Indiana HBPA
 Iowa HBPA
 Kentucky HBPA
 Nebraska HBPA
 New Jersey THA
 New York THA
 Oregon HBPA
 Texas Horsemen's Partnership, LLP
 Thoroughbred Owners of California
 Virginia HBPA
 Washington HBPA

Off-track Betting Organizations

Connecticut OTB
 Montana Simulcast Partners

Affiliates

American Quarter Horse Association
 TVG

Racetracks

Arizona

Turf Paradise

Arkansas

Oaklawn Park

California

Bay Meadows
 California Authority of Racing Fairs:
 - Alameda County Fair
 - California State Fair
 - The Big Fresno Fair
 - Humboldt County Fair
 - San Joaquin County Fair
 - San Mateo County Fair
 - Solano County Fair
 - Sonoma County Fair
 Del Mar Thoroughbred Club
 Fairplex Park
 Golden Gate Fields
 Hollywood Park
 Los Alamitos
 Oak Tree
 Santa Anita Park

Delaware

Delaware Park

Florida

Calder Race Course
 Gulfstream Park
 Tampa Bay Downs

Illinois

Arlington Park
 Hawthorne National

Indiana

Hoosier Park

Iowa

Prairie Meadows

Kentucky

Churchill Downs
 Ellis Park
 Keeneland
 Kentucky Downs
 Turfway Park

Louisiana

Evangeline Downs
 Fair Grounds

Maryland

Laurel Park
 Pimlico

Massachusetts

Suffolk Downs

Michigan

Great Lakes Downs

Minnesota

Canterbury Park

Nebraska

Columbus Races
 Fonner Park
 Horsemen's Park
 Nebraska State Fair Park

New Jersey

Meadowlands
 Monmouth Park

New Mexico

Ruidoso Downs
 Sunland Park

New York

Aqueduct
 Belmont Park
 Saratoga Race Course

Ohio

River Downs
 Thistledown

Oklahoma

Fair Meadows
 Remington Park

Ontario

Woodbine

Oregon

Portland Meadows

Pennsylvania

The Meadows

Texas

Lone Star Park
 Retama Park
 Sam Houston Race Park

Virginia

Colonial Downs

Washington

Emerald Downs

West Virginia

Mountaineer Park

Kentucky
NTRA
2525 Harrodsburg Road
5th Floor
Lexington, KY 40504
Tel 859-245-6872
Fax 859-223-3945



NATIONAL THOROUGHBRED
RACING ASSOCIATION

Web site: www.ntra.com



E-mail: ntra@ntra.com

New York
NTRA
444 Madison Avenue
Suite 503
New York, NY 10022
Tel 212-907-9280
Fax 212-907-9281