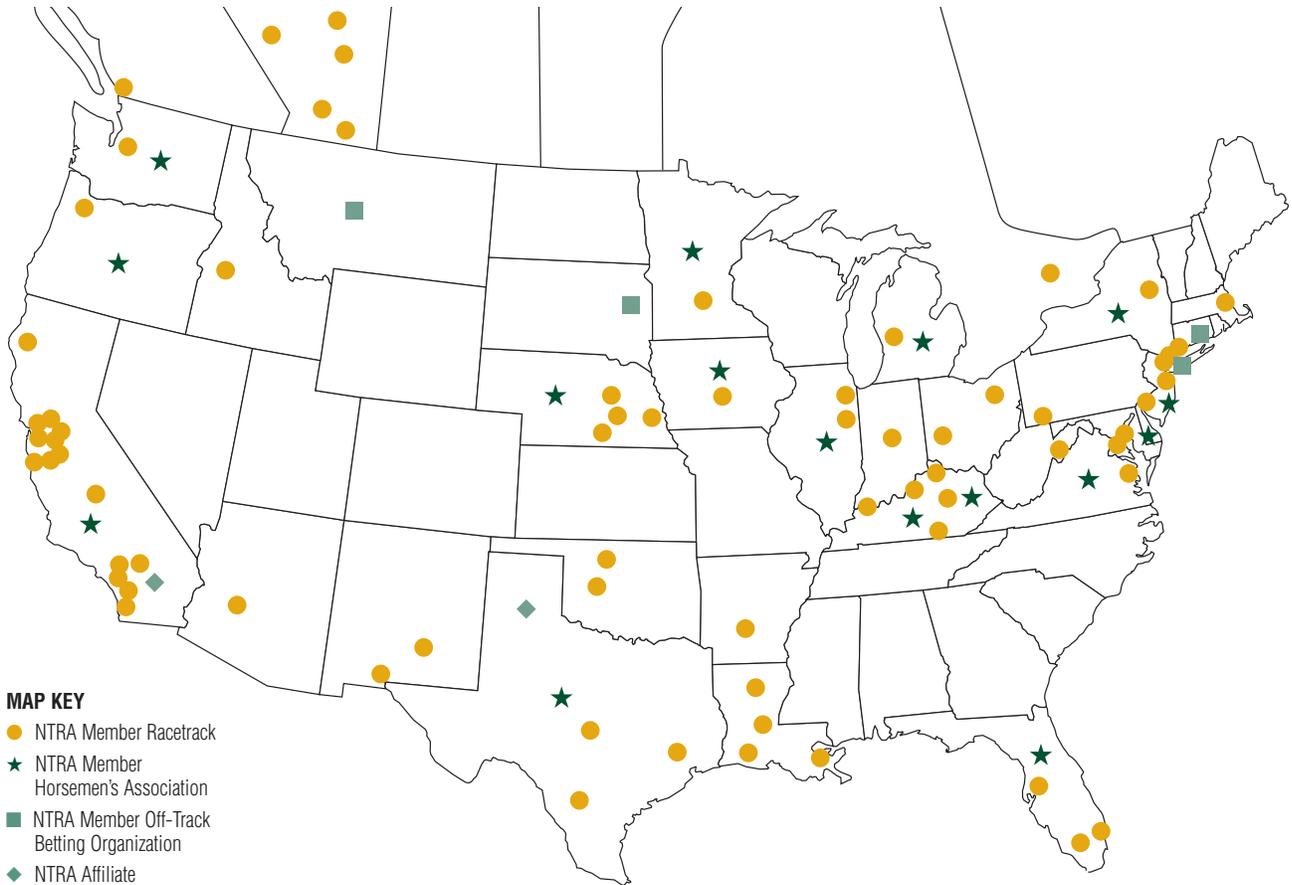


2004-2005 NTRA Annual Report to the Membership



NTRA Member Associations



MAP KEY

- NTRA Member Racetrack
- ★ NTRA Member Horsemen's Association
- NTRA Member Off-Track Betting Organization
- ◆ NTRA Affiliate

Horsemen's Associations

Delaware THA
 Florida HBPA
 Illinois THA
 Iowa HBPA
 Kentucky HBPA
 Kentucky Thoroughbred Association
 Michigan HBPA
 Minnesota 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
 New York City OTB
 Royal River Racing

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

- Fresno Fair
 - Humboldt County Fair
 - San Joaquin County Fair
 - San Mateo County Fair
 - Solano County Fair
 - Sonoma County Fair
 Del Mar
 Fairplex Park
 Golden Gate Fields
 Hollywood Park
 Los Alamitos
 Oak Tree Racing Association
 Santa Anita Park

CANADA

Evergreen Park
 Hastings Racecourse
 Millarville
 Northlands Park
 Rocky Mountain Turf Club
 Stampede Park

Woodbine Entertainment Group

DELAWARE

Delaware Park

FLORIDA

Calder Race Course
 Gulfstream Park
 Tampa Bay Downs

IDAHO

Les Bois Park

ILLINOIS

Arlington Park
 Hawthorne-National

INDIANA

Hoosier Park

IOWA

Prairie Meadows

KENTUCKY

Churchill Downs
 Ellis Park
 Keeneland

Kentucky Downs
 Turfway Park

LOUISIANA

Delta Downs
 Evangeline Downs
 Fair Grounds
 Louisiana Downs

MARYLAND

Laurel
 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

OHIO

River Downs
 Thistledown

OKLAHOMA

Fair Meadows
 Remington Park

OREGON

Portland Meadows

PENNSYLVANIA

The Meadows

TEXAS

Lone Star Park
 Retama Park
 Sam Houston

VIRGINIA

Colonial Downs

WASHINGTON

Emerald Downs

WEST VIRGINIA

Mountaineer Park

2004-2005 Annual Report to the Membership

Table of Contents

Message from the Commissioner	2
Financial Highlights	4
Board of Directors	6
Event Management	8
Television	10
Sponsorship and Group Purchasing	12
Legislative and Regulatory	14
Membership and Industry Programs	16
Marketing and Media	18
Licensed Products and Promotions	20
A Final Word	22
Financial Statements	23
Leading Economic Indicators	36

Message from the Commissioner



D.G. Van Clief, Jr.
NTRA Commissioner and CEO
Breeders' Cup President

With the support of its members, the NTRA and racing as a whole enjoyed a year of success in 2004.

A record 120,139 fans poured into Belmont Park to watch Smarty Jones' bid for the VISA Triple Crown, while 33 million viewers took in NBC's telecast of the race, producing an 11.3 Nielsen rating and making the Belmont Stakes the number one show of the week.

After an unparalleled five consecutive years of growth, horse racing moved into ESPN Sports Poll's list of Top 10 sports for the first time. Racing's popularity grew by 5.1 percent in 2004 – the highest rate of growth for any of the 29 sports tracked.

The U.S. market for Thoroughbred sales grew sharply, fueled in part by federal tax incentives that included a 50 percent bonus depreciation and a \$100,000 expensing allowance. Buyers responded to the market by purchasing more than \$1 billion worth of Thoroughbred bloodstock for a 23.3 percent increase in gross auction sale revenues.

Purses grew less dramatically – 3.4 percent – while account wagering's share of the \$15 billion pari-mutuel market increased sharply for the fourth consecutive year, growing a robust 40 percent and surpassing total on-track handle.

After an unparalleled five consecutive years of growth, horse racing moved into ESPN Sports Poll's list of Top 10 sports for the first time. Racing's popularity grew by 5.1 percent in 2004 – the highest rate of growth for any of the 29 sports tracked.

The NTRA achieved passage of a bill to eliminate a 30 percent withholding tax on wagers by foreign bettors, opening the \$85 billion international wagering market to U.S. simulcasting.

In just two years, the NTRA Political Action Committee's Horse PAC has become the industry's largest federal PAC – growing to \$725,000 for the 2003/2004 election cycle – and a key component in the NTRA's legislative program.

The industry, as a whole, made substantive progress in securing adoption of uniform medication policies for our equine athletes. To date, more than half of our racing jurisdictions have adopted the standards recommended by the Racing Medication and Testing Consortium. With full industry support, we anticipate nationwide implementation within the year.

Along with success comes challenge.

Special interest groups continue to attack horse racing's exemptions from prohibitions to online gaming. The industry's technology infrastructure and security programs require more strategic management to take advantage of growth opportunities in electronic wagering. Horse racing continues to compete with other sports and gaming industries to attract and retain an audience of loyal consumers.

In just two years, the NTRA Political Action Committee's Horse PAC has become the industry's largest federal PAC – growing to \$725,000 for the 2003/2004 election cycle – and a key component in the NTRA's legislative program.

In addition, much work lies ahead in the areas of sponsorship and membership renewals and long-term strategic planning for the organization's next phase.

Horse racing's success in 2004 was due in no small measure to much-improved industry cooperation and "virtual enterprise" behavior, particularly in key areas such as federal legislation, media development, group purchasing and medication.

We are pleased to begin 2005 having successfully negotiated a new eight-year television deal with ESPN that includes an expanded telecast of the Breeders' Cup World Thoroughbred Championships. Thanks to your support, our industry is poised to move to the next level as a major sport and entertainment property in the world market. We share your commitment to this vision and, as always, welcome your thoughts and suggestions.

Sincerely,



D.G. Van Clief, Jr.

Financial Highlights

Priorities for 2005 include increasing revenues from sponsorship, television and group purchasing.

The figures represent budgeted projections for the calendar year 2005 and include NTRA and NTRA Purchasing. Consolidated Financial Statements for National Thoroughbred Racing Association, Inc. and Subsidiaries begin on page 23 of this report.

	2005 Budget*	2004 Actual
Operating Revenues		
Revenues from Breeders' Cup Limited**	\$35,330,000	\$36,024,470
Membership dues	16,900,000	17,494,628
Television, sponsorship, purchasing and promotions	13,121,000	13,399,745
Wagering Systems Task Force		65,000
Other revenues	50,000	63,036
Total operating revenues	65,401,000	67,046,879
Operating Expenses		
Television	10,170,000	10,449,299
Sponsorship and purchasing	7,791,000	7,255,475
Advertising, marketing and promotions	17,717,000	17,581,541
Purses and awards	21,385,000	21,164,645
Legislative and regulatory	1,970,000	1,800,397
Office of Wagering Security	330,000	
Wagering Integrity Alliance		202,618
Wagering Systems Task Force		834,789
General and administrative	5,843,000	5,577,855
Total operating expenses	65,206,000	64,866,619
Excess of operating revenues over operating expenses	195,000	2,180,260
Non-operating income (expense)		
Breeders' Cup Limited license fee		(1,600,000)
Investment income	60,000	60,000
Interest income, net	70,000	94,330
Other income	100,000	151,267
Total non-operating income (expense)	230,000	(1,294,403)
Excess of revenues over expenses	\$ 425,000	\$ 885,857

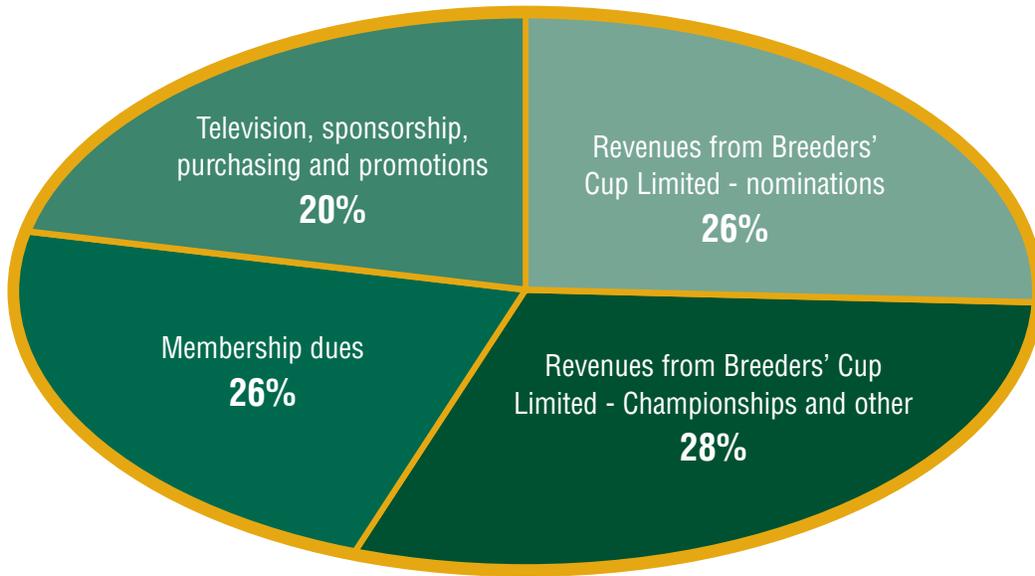
*Unaudited

**Includes stallion and foal nomination fees of \$17 million budgeted for 2005 and \$16.6 million in 2004.

Contributions to the NTRA's Political Action Committee and disbursements from the PAC are not included in the revenues or expenses reported above.

2005 NTRA Budget

Revenues \$65.6 million

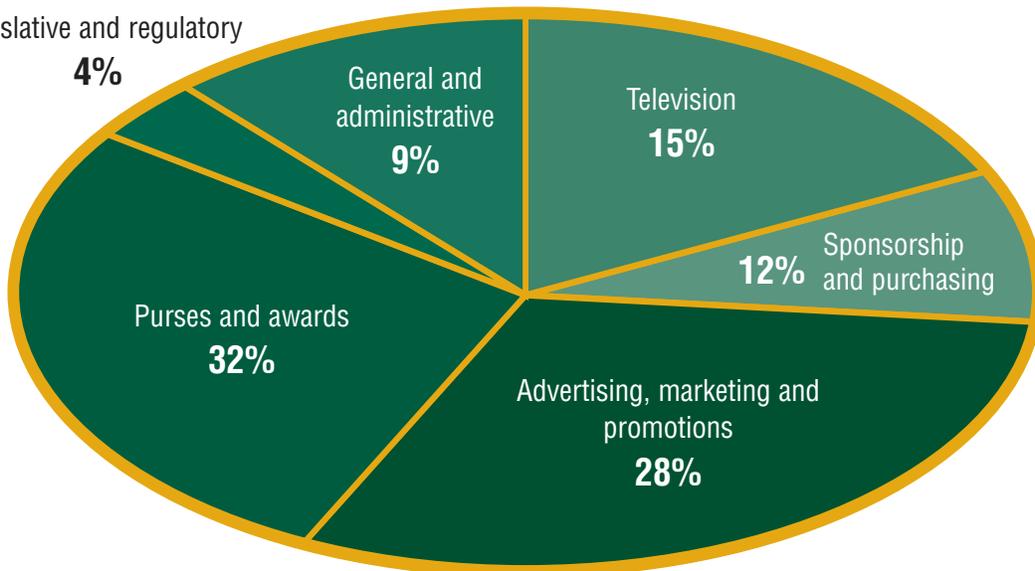


2005 NTRA Budget

Expenses \$65.6 million

Legislative and regulatory

4%



Board of Directors and 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.

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

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

Breeders' Cup Limited, which combined operations with NTRA in 2001 and is the organization's largest contributor, receives two horsemen director seats on the NTRA Board.

NTRA Corporate Officers



D.G. Van Clief, Jr.
NTRA Commissioner and CEO
Breeders' Cup President



Gregory C. Avioli
Executive Vice President,
Corporate Secretary



Ferguson Taylor
Chief Financial Officer,
Corporate Treasurer

NTRA Senior Vice Presidents

Pam Blatz-Murff
Breeders' Cup Operations

Chip Campbell
Television and Sponsorship

Keith Chamblin
Marketing and Industry Relations

Ken Kirchner
Product Development

Independent Seats



Robert Elliston
Turfway Park
Midwestern Region



Craig R. Fravel
Del Mar Thoroughbred Club
Western Region



Bruce Garland
New Jersey Sports &
Exposition Authority
Eastern Region

Racetrack Company Seats



Charles Hayward
New York Racing
Association



Jim McAlpine
Magna Entertainment
Corporation



Thomas H. Meeker
Churchill Downs
Incorporated



Nick Nicholson
Keeneland

Owner/Breeder Representatives



John Amerman
Thoroughbred Owners
and Breeders Association



Robert Clay
Breeders' Cup Limited



G. Watts Humphrey, Jr.
Breeders' Cup Limited



Ogden Mills Phipps
The Jockey Club

Horsemen's Representatives



Alan Foreman
Thoroughbred
Horsemen's Association



John Roark
Horsemen's Benevolent
& Protective Association



Mace Siegel
Thoroughbred Owners
of California

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.

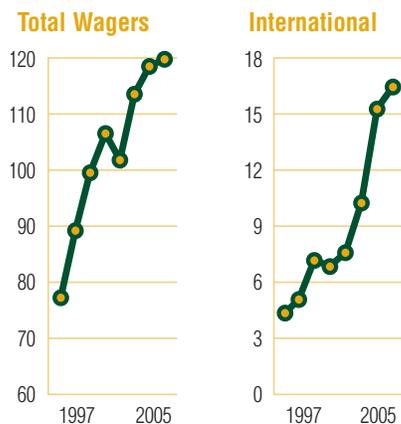
Audit and Compensation Committee

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

Event Management

In 2005, Emirates Airline and TVG will join John Deere, Dodge, NetJets and Bessemer Trust as title and divisional sponsors of the Breeders' Cup World Thoroughbred Championships.

World Thoroughbred Championships Day Wagering (in millions)



The Breeders' Cup World Thoroughbred Championships continues to grow as a global sports property, with total handle exceeding \$120 million and international wagering reaching a record high of \$16 million in 2004. With more than 11,000 wagering sites in 27 nations, the Breeders' Cup is the country's top-grossing day for international wagering.

The Breeders' Cup leads all U.S. racing events in attracting international competitors, fielding 91 horses from seven countries in 2004.

As the focal point for yearlong divisional racing and the sport's Championship event, the Breeders' Cup offers numerous sponsor benefits, including naming rights, hospitality, promotions, network television and integrated media. The annual Breeders' Cup Gala provides headline entertainment and supports local charities. The 2004 gala – starring Country Western icon George Strait – raised a record \$762,000.



The NTRA, the National Turf Writers Association and *Daily Racing Form* present the annual Eclipse Awards honoring excellence in Thoroughbred racing. Actor Jerry O'Connell hosted this year's event at the Regent Beverly Wilshire.



With an established presence on the international racing scene, Emirates Airline sponsors two Breeders' Cup races in 2005.



The 2004 Breeders' Cup World Thoroughbred Championships at Lone Star Park in Grand Prairie, Texas, carried an economic impact of \$50 million.

The 2005 Breeders' Cup, to be held October 29 at Belmont Park in Elmont, N.Y., will be televised live on NBC in the United States for the 22nd consecutive year and carried internationally in more than 150 countries.

Beginning in 2006, the Breeders' Cup moves to ESPN, which will provide an additional two hours of live coverage.

\$14 Million Breeders' Cup World Thoroughbred Championships

Emirates Airline Breeders' Cup Distaff	\$2,000,000
Breeders' Cup Juvenile Fillies	\$1,000,000
NetJets Breeders' Cup Mile	\$1,500,000
TVG Breeders' Cup Sprint	\$1,000,000
Emirates Airline Breeders' Cup Filly and Mare Turf	\$1,000,000
Bessemer Trust Breeders' Cup Juvenile	\$1,500,000
John Deere Breeders' Cup Turf	\$2,000,000
Breeders' Cup Classic – Powered by Dodge	\$4,000,000



The International Federation of Horseracing Authorities' International Classification Committee ranked the Breeders' Cup Classic – Powered by Dodge as the world's number one race in 2004. Race winner Ghostzapper was named Horse of the Year.

Television

With title sponsorship from CITGO, Dodge and Emirates Airline, NTRA Productions produces divisional racing series leading to the VISA Triple Crown and the Breeders' Cup World Thoroughbred Championships.

Through its subsidiary NTRA Productions, the NTRA develops and produces divisional racing for ABC, ESPN and NBC, with bonus coverage including countdown and wrap-up shows for the VISA Triple Crown, Travers Stakes and Breeders' Cup.

NTRA programming emphasizes live racing telecasts. Since 1998, NTRA has nearly tripled the number of live televised races. Stakes race coverage has grown 133 percent over the same period.

Programming for 2005 includes 42 live telecasts featuring 118 stakes races representing all eight Breeders' Cup racing divisions. International programming includes races from England, France, Ireland and Dubai.

The NTRA's new eight-year agreement with ESPN includes a seven-hour Breeders' Cup telecast and 10 hours of divisional racing on ABC/ESPN beginning in 2006, and an extension of its Racing to the Kentucky Derby, Wire to Wire and Road to the World Thoroughbred Championships series through 2013.



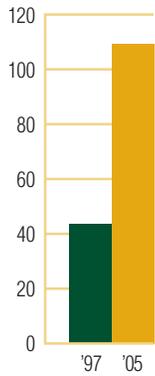
In 2005, NTRA Marketing Partner TVG – horse racing's cable network available in more than 14 million homes – produced the first-ever live broadcast of the Eclipse Awards ceremony and became title and divisional sponsor for the TVG Breeders' Cup Sprint.

Televised Racing Series and Events in 2005

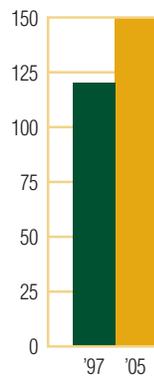
Emirates Airline Super Saturdays	ABC, ESPN, NBC
CITGO Racing to the Kentucky Derby	ABC, ESPN Networks
CITGO Triple Crown Weeks	ESPN Networks
CITGO Wire to Wire	ESPN Networks
Road to the World Thoroughbred Championships – Powered by Dodge	ESPN Networks
Breeders' Cup World Thoroughbred Championships	NBC
NTRA Road to the Kentucky Derby	NBC

TV at a Glance

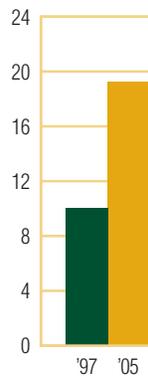
Live Races 142% Increase



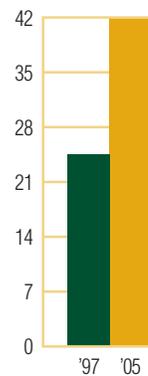
Total TV Hours 26% Increase



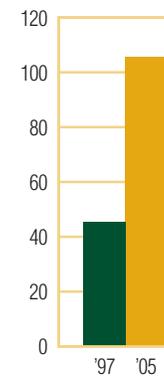
Network Hours 90% Increase



Live Shows 68% Increase



Graded Stakes 133% Increase

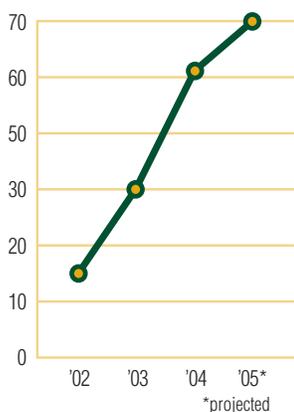


American audiences first saw Ouija Board when she finished third in the 2004 Prix de l'Arc de Triomphe-Lucien Barrière, televised on TVG and during Road to the World Thoroughbred Championships – Powered by Dodge on ESPN. The filly went on to win the V05 Breeders' Cup Filly and Mare Turf, televised as part of NBC's five-hour live broadcast of the Breeders' Cup World Thoroughbred Championships from Lone Star Park, and was named Champion Female Turf Horse for 2004.

Sponsorship and Group Purchasing

NTRA marketing partners have preferred access to a consumer audience of 78 million and 600,000 members of the horse community through NTRA's combined program of sponsorship sales and group purchasing.

Group Purchasing Sales (in millions)



Sponsor hospitality venues include the Breeders' Cup World Thoroughbred Championships and more than 20 domestic and international racetracks hosting televised divisional races during the summer and fall.

Sponsors receive traditional media – event signage, publicity, television, Web and print advertising – as well as year-round marketing support and promotional opportunities at 100 different sites nationally and internationally, including tracks, horse auctions and other venues.

NTRA Purchasing's regional managers coordinate sales of sponsor products to NTRA members through local dealers. The group purchasing program provides business-to-business opportunities for NTRA marketing partners and special savings to NTRA members on brand-name products they use every day for their homes, farms, stables and business operations.



FedEx is the official shipping and express delivery service for Breeders' Cup Limited and the NTRA.



NTRA Purchasing sold \$21 million worth of Dodge vehicles in 2004 – a record for a first-year sales program.

NTRA National Sponsors

Alberto-Culver	Emirates Airline
Bessemer Trust	FedEx
Cendant	Grey Goose
- Budget	Guinness
- Century 21	John Deere
- Days Inn	Lexmark
CITGO	NetJets
Dodge	TVG

NTRA Purchasing Partners

Daktronics	Lexmark
Dodge	NetJets
FedEx	Office Max
Hallway Feeds	PreSort Services
John Deere	Sherwin-Williams



John Deere was NTRA Purchasing's highest-grossing partner in 2004, selling a record \$36 million worth of products to NTRA members.

Legislative and Regulatory

The NTRA's federal legislative platform includes tax relief for horse owners, breeders and players and preservation of pari-mutuel account wagering and Internet wagering on horse racing.

2005 Legislative Agenda

- Lower taxes for horse owners and breeders
- Accelerate depreciation for horses
- Reduce capital-gains holding period for horses
- Defend horse racing's legislative "carve out" for Internet and account wagering
- Immigration issues/H2-B visas for farm and backstretch workers
- Define horses as livestock for agricultural emergency relief
- Players' tax issues

In 2004, the NTRA achieved passage of a bill to eliminate a 30 percent withholding tax on wagers made by foreign bettors and open the \$85 billion international gaming market to American simulcasting.

The organization continues to build its Washington power base through lobbying, Member education programs such as the Congressional Horse Caucus and, in cooperation with the American Horse Council, establishment of a permanent office for legislative advocacy on Capitol Hill.

The NTRA Political Action Committee's Horse PAC – making bipartisan contributions to federal candidates who support favorable legislation for horse racing – raises funds from NTRA members. In the 2003/2004 election cycle, Horse PAC disbursed \$465,000 to federal candidates from 33 states. With more than \$725,000 raised to date, Horse PAC is the horse industry's largest federal PAC.



Senate Majority Whip Mitch McConnell with 2004 leading Horse PAC fundraiser Lucy Hamilton at a PAC event in New York.

2005 Horse PAC Board Members

William S. Farish, Jr. Chairman	Case Clay Robert Elliston
D.G. Van Clief, Jr. ex officio	Terry Finley Ben Haggin
Gregory C. Avioli PAC President	Lucy Young Hamilton John C. Harris F. Jack Liebau, Jr. Terry Meyocks Jerry Shields

NTRA's Legislative Action Campaign funds

- Washington, D.C.-based lobbying and legal counsel
- A comprehensive national study of the economic impact of the racing and breeding industries
- Programs to address equine disease, importation and transportation issues with the American Horse Council
- Educational programs for elected officials, including members of the Congressional Horse Caucus
- Grassroots advocacy and legislative mobilization
- Development of the NTRA's Political Action Committee Horse PAC, which makes contributions to federal political candidates and parties



2005 TAX BENEFITS FOR HORSE OWNERS

The President's "American Jobs Creation Act of 2004" signed into law in October provided incentives for investment in racehorses.

DEDUCTION BASED ON SALE PROFITS: Beginning in 2005, breeders will benefit from a new deduction being phased-in completely by 2010. Along with current deductions already in place, breeders can now take deductions based on profits from sales of foals they produced. The deduction will be 3 percent of profits in 2005 and 2006, increasing to 6 percent for 2007, 2008 and 2009 and reach full implementation of 9 percent in 2010 and thereafter. The deduction cannot exceed 50 percent of wages paid to employees or the taxpayer's total taxable income. At its 9 percent fully implemented rate, the deduction will equate to a tax rate reduction of over 3 percent.

\$100,000 EXPENSING ALLOWANCE EXTENDED UNTIL 2007: The \$100,000 expensing allowance has been extended and now applies to purchases made January 1, 2003 through December 31, 2007. A purchaser can continue to write off up to \$100,000 of the cost of horses, provided total purchases of all depreciable property during the year do not exceed \$400,000.

DEDUCTIONS FOR STATE AND LOCAL TAXES: The Foreign Sales Corporation bill, also signed into law in October, contained legislation that will allow citizens of states without income tax to deduct their state sales tax from federal income taxes. This provision will lessen the tax burden on residents of Florida, Nevada, South Dakota, Tennessee, Texas, Washington and Wyoming.

NTRA is currently formulating new legislation for accelerated depreciation of racehorses and seeking an appropriate legislative vehicle for this initiative.



For more information about the NTRA's legislative programs, call Joe Clabes at the NTRA, 800-792-NTRA or e-mail jclabes@NTRA.com.

The NTRA uses industry communications and an interactive Web site, www.SupportHorseRacing.org, to educate its members about federal legislation affecting the horse industry.



Membership and Industry Programs

As a trade association, the NTRA administers a multifaceted, multimillion-dollar membership benefits program and works to address national industry issues of common concern.

In addressing the security, economic and integrity issues that affect racing nationally, the NTRA serves as public relations coordinator, crisis management leader, solutions provider and national spokesman for the Thoroughbred industry.

NTRA initiatives include a commissioned study of the issues and economics of pari-mutuel wagering, undertaken by the NTRA Wagering Systems Task Force in conjunction with National Economic Research Associates. A separately funded, independent Office of Racing Integrity to oversee electronic wagering security – recommended by the Task Force – is in development.

As members of the Racing Medication and Testing Consortium, the NTRA and Breeders' Cup Limited are leading advocates for uniform medication policies and high standards for racing's \$25 million equine drug-testing program.



The NTRA Jockeys' Accident Insurance Working Group identified the relevant facts surrounding riders' on-track accident insurance coverage in NTRA member jurisdictions, provided public relations support and recommended short- and long-term strategies for coverage.



NTRA member benefits include group purchasing, which has produced industry-wide sales of \$107 million and member savings of \$25 million over three years. Racetrack members are eligible to host the \$14 million Breeders' Cup World Thoroughbred Championships and enjoy preferred status for annual purse allocations from the Breeders' Cup Stakes Program.

NTRA Membership

The NTRA's membership base includes members and employees of its affiliated organizations and associations as well as individuals who participate in the NTRA's voluntary funding programs and/or the Breeders' Cup nomination programs. Member groups include:

American Association of Equine Practitioners

American Quarter Horse Association

Breeders' Cup Nominators

Horsemen's Groups

Individual Contributors

Industry Service Organizations

Legislative Action Campaign Participants

National Steeplechase Association

Off-track Betting Organizations

Racetracks

Racing Commissions

State Owner/Breeder Associations

TVG

USA Equestrian

Yobet.com



Breeders' Cup owners and nominators compete for more than \$35 million in purses and awards awarded annually through the Breeders' Cup Championships and the Breeders' Cup Stakes program at North American tracks. Through Breeders' Cup partnerships with international breed associations, owners of eligible foreign-bred and/or -raced horses also can compete for millions offered each year through these programs at participating racetracks.

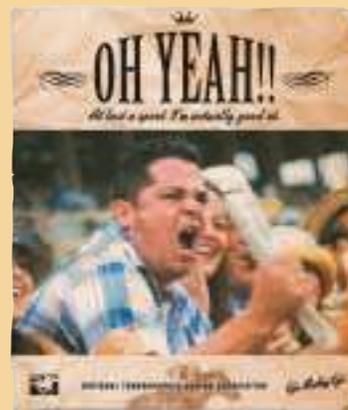
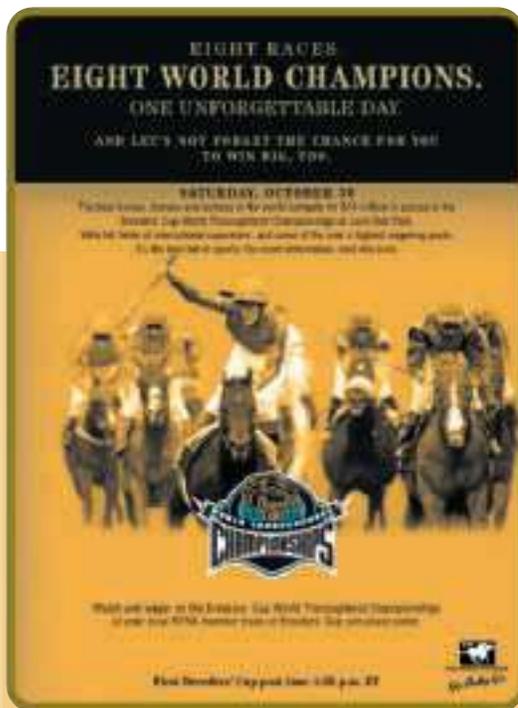
Marketing and Media

NTRA Creative Services develops and produces nationally branded marketing campaigns to promote live and televised racing.

Through cooperative marketing agreements with member associations, NTRA-produced print, radio, outdoor and TV advertising, monthly e-newsletters and public service announcements reach virtually every major media market in the country.

The NTRA's annual campaigns are developed using qualitative research and quantitative studies from SDS Prime and TNS Intersearch – ESPN Sports Poll. Sports Poll conducts 2,000 monthly consumer interviews and with more than 154,000 accumulated polls, annually produces a comprehensive survey of fan interest in Thoroughbred racing for use by NTRA member racetracks and organizations.

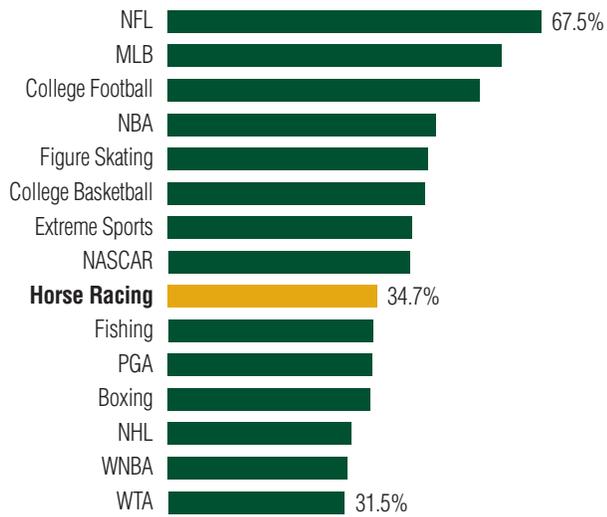
Offering weekly teleconferences with leading newsmakers, audio and video newsfeeds for major races, and photo, research and statistical services, NTRA Communications provides year-round publicity for Thoroughbred racing and serves approximately 2,500 television, radio and print news outlets.



NTRA Creative Services' advertising promotes racing year-round and includes a special campaign for the Breeders' Cup World Thoroughbred Championships.

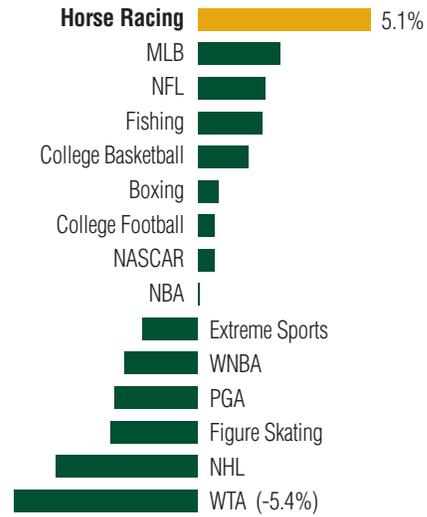
2004 Fan Bases Among U.S. Population 18+

First time horse racing has ranked in the Top 10



2004 Fan Bases Percentage Change

U.S. Population 18+



Licensed Products and Promotions

The NTRA reaches potential horse-players of every age and experience level through wagering products, interactive games, handicapping tournaments and promotions.



Three new interactive games keyed to the Breeders' Cup World Thoroughbred Championships debut in 2004/2005. Each product features simulated horse stables competing in races leading to the Breeders' Cup, delivering world-class racing to a new generation of potential fans.

The Breeders' Cup – Tournament Edition coin-operated video arcade game enables players to develop and race a virtual stable of horses in competition through networked tournaments. Developer UltraCade Technologies will market Breeders' Cup – Tournament Edition domestically and internationally.

The NTRA and Magmic jointly market an international game called Breeders' Cup 2005 for cell phones and PDAs to wireless gaming subscribers in more than 25 countries. Players from all over the world can race their horses in virtual competitions. Full distribution is expected by third-quarter 2005.

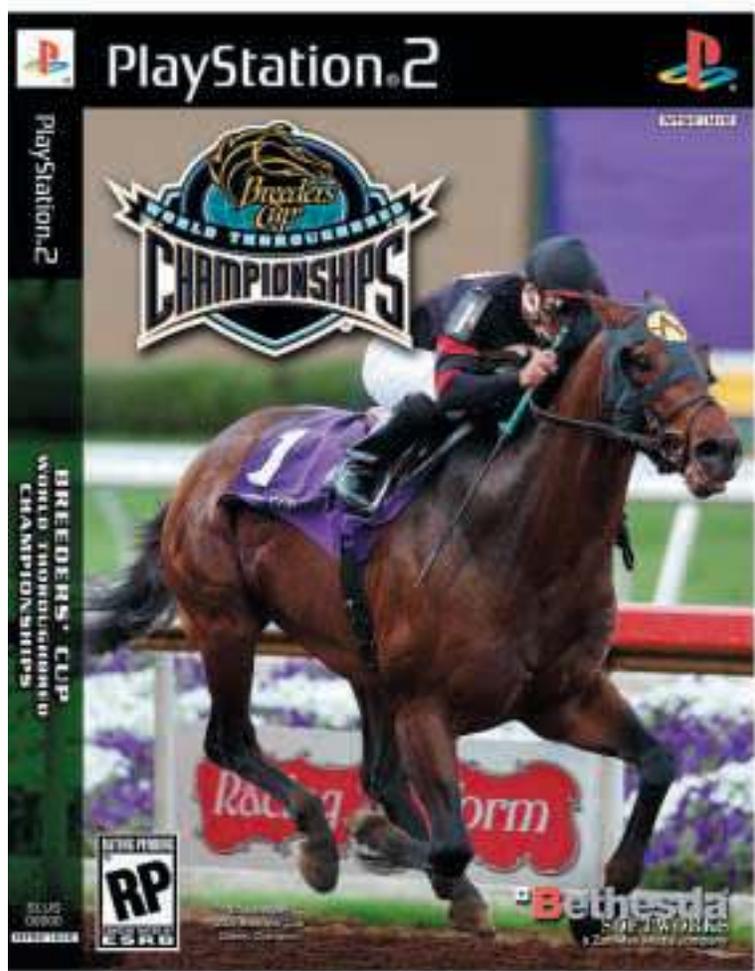


The NTRA offers branded, multi-race wagers in association with live races featured in its Emirates Airline "Super Saturdays" telecasts. Handle on five 2004 events exceeded \$4 million, generating over \$1 million in commissions for horsemen and racetracks.



Total available prizes for the NTRA's Million Dollar Mystery Mutuel Voucher promotion exceed \$30 million annually, producing double-digit gains in attendance and handle on promotional days. Voucher mailings offer promotional opportunities for the NTRA and member marketing partners.

A licensed console game for Sony PlayStation2 and Microsoft Xbox (also called Breeders' Cup 2005), launches in third-quarter 2005. Geared to consumers ages 18-34, the breeding, training and racing simulation game features digital renditions of 10 NTRA member racetracks.



National Handicapping Championship

The *Daily Racing Form*/NTRA National Handicapping Championship from Bally's, televised for the first time on ESPN in 2005, has become the nation's most recognized tournament of its kind. A sold-out series of qualifying tournaments, held at the following sites throughout 2005, culminates with the Championship event in January 2006. Fans visiting NTRA.com also can match their skills against expert handicappers in an online competition for a berth in the Championship.

- | | |
|---------------------------------|-------------------------------|
| AQHA | Hoosier Park |
| Aqueduct | Horsemen's Park |
| Arlington Park | Keeneland |
| Autotote Bradley
Teletheatre | Lone Star Park |
| Autotote Sports Haven | Los Alamitos |
| Bally's Las Vegas | Maryland Jockey Club |
| Bay Meadows | Meadowlands |
| Belmont Park | Monmouth Park |
| Brisnet.com | Northlands Park |
| Cal Expo | Prairie Meadows |
| Calder Racecourse | PublicHandicapper.com |
| Canterbury Park | River Downs |
| Churchill Downs | Road to the Roses
(online) |
| Claiming Crown/
NTRA.com | Royal River Racing OTB |
| Colonial Downs | Sam Houston Race Park |
| Del Mar | Santa Anita Park |
| Delaware Park | Stampede Park |
| Ellis Park | Suffolk Downs |
| Emerald Downs | Sunland Park |
| Fairplex Park | Tampa Bay Downs |
| Golden Gate Fields | Thistledown |
| Golden State Rewards
Network | Turf Paradise |
| Gulfstream Park/Turfvivor | Turfway Park |
| Harrah's Louisiana Downs | TVG Network |
| Hastings Racecourse | Twin Spires Club (CDI) |
| Hawthorne-National | Woodbine |
| Hollywood Park | Youbet.com |

A Final Word

While racing continues to face economic and regulatory challenges, there is cause for optimism.



Fan interest in our sport is at an all-time high. Racing outstripped all other sports with a 5.1 percent growth in fan interest in a single year.

Our television product continues to draw more viewers. Fans now find it easier to follow our sport's divisional races and stars, thanks to much-improved event scheduling and well-publicized programming.

Vigorous marketing and publicity helped bring the stories of our star athletes and leading figures to mainstream news.

Racing continues to attract new major corporate sponsors and to build its appeal as a commercial property.

Our industry has a strong, sustained presence in Washington, D.C., a substantial PAC and a clearly defined legislative agenda.

We hope that you, our members, will continue to support and share in our efforts to achieve a more prosperous and powerful Thoroughbred industry.



Financial Statements

National Thoroughbred Racing Association, Inc. and Subsidiaries

Consolidated Financial Statements and Other Financial Information

For the Years Ended December 31, 2004 and 2003

Contents

Report of Independent Auditors.....	24
Consolidated Statements of Financial Position As of December 31, 2004 and 2003 (with Consolidating Details in 2004).....	25
Consolidated Statements of Activities and Changes in Net Assets For the Years Ended December 31, 2004 and 2003 (with Consolidating Details in 2004).....	26
Consolidated Statements of Cash Flows For the Years Ended December 31, 2004 and 2003	28
Notes to Consolidated Financial Statements.....	29

Report of Independent Auditors

The Board of Directors
National Thoroughbred Racing Association, Inc.

We have audited the accompanying consolidated statements of financial position of National Thoroughbred Racing Association, Inc. and Subsidiaries (the Association) as of December 31, 2004 and 2003, 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. We were not engaged to perform an audit of the Association's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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. and Subsidiaries as of December 31, 2004 and 2003, and the consolidated results of their activities, their changes in net assets and their 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 25, 2005

Consolidated Statements of Financial Position

As of December 31, 2004 and 2003 (with Consolidating Details in 2004)

	NTRA, Inc.	NTRA Investments, LLC	Intercompany Eliminations	2004 Consolidated	2003 Consolidated
Assets					
Cash and cash equivalents	\$ 6,132,772	\$ 824,318	\$	\$ 6,957,090	\$ 4,231,672
Assets limited to use by Board					500,000
Accounts receivable, net	4,887,213	940,564	(22,235)	5,805,542	5,652,133
Receivable from Breeders' Cup Limited	959,170			959,170	502,761
Prepaid expenses	785,065	130,830		915,895	1,069,459
Other assets	483,979			483,979	578,668
Property and equipment, net	893,501			893,501	472,683
Investment in subsidiaries	1,000,000		(1,000,000)		
Intangible assets, net	163,680	12,896,132		13,059,812	14,194,654
Total assets	\$ 15,305,380	\$ 14,791,844	\$ (1,022,235)	\$ 29,074,989	\$ 27,202,030
Liabilities and net assets					
Accounts payable	\$ 1,755,713	\$ 516,478	\$ (22,235)	\$ 2,249,956	\$ 1,558,214
Accrued liabilities	6,294,439			6,294,439	4,155,523
Deferred revenue	496,167			496,167	330,830
Deferred purchase consideration					750,000
Current portion of long-term debt	162,500			162,500	162,500
Long-term debt		16,000,000		16,000,000	16,153,813
Other long-term liabilities	848,384			848,384	1,397,391
Total liabilities	9,557,203	16,516,478	(22,235)	26,051,446	24,508,271
Minority interest		25,000	(25,000)		
Net assets					
Preferred membership interest		1,000,000	(1,000,000)		
Board designated net assets					500,000
Undesignated net assets (deficit)	5,748,177	(2,749,634)	25,000	3,023,543	2,193,759
Total net assets (deficit)	5,748,177	(1,749,634)	(975,000)	3,023,543	2,693,759
Total liabilities and net assets	\$ 15,305,380	\$ 14,791,844	\$ (1,022,235)	\$ 29,074,989	\$ 27,202,030

See accompanying notes.

Consolidated Statements of Activities and Changes in Net Assets

For the Years Ended December 31, 2004 and 2003 (with Consolidating Details in 2004)

	NTRA, Inc.	NTRA Investments, LLC	Intercompany Eliminations	2004 Consolidated	2003 Consolidated
Operating revenues					
Revenues from Breeders' Cup Limited	\$ 36,024,470	\$	\$	\$ 36,024,470	\$ 32,040,293
Membership dues	17,494,628			17,494,628	17,367,870
Television, sponsorship, purchasing and promotions	13,399,745	15,110,895	(7,063,989)	21,446,651	18,354,546
Contributions - New York Heroes Fund					345,000
Wagering Integrity Alliance					1,929,449
Wagering Systems Task Force	65,000			65,000	
Other revenues	175,524			175,524	182,488
Total operating revenues	67,159,367	15,110,895	(7,063,989)	75,206,273	70,219,646
Operating expenses					
Television	10,450,544	11,582,895	(6,586,139)	15,447,300	14,474,451
Sponsorship and purchasing	7,255,475		(51,000)	7,204,475	5,858,535
Advertising, marketing and promotions	17,687,282		(426,850)	17,260,432	17,668,220
Purses and awards	21,164,645			21,164,645	19,857,621
Legislative and regulatory programs	1,800,397			1,800,397	1,042,010
Wagering Integrity Alliance	202,618			202,618	1,582,352
Wagering Systems Task Force	834,789			834,789	
Contributions - New York Heroes Fund					345,000
General and administrative	5,182,748	94,284		5,277,032	5,051,097
Loss on receivable					436,076
Depreciation and amortization	397,759	3,227,867		3,625,626	2,850,030
Total operating expenses	64,976,257	14,905,046	(7,063,989)	72,817,314	69,165,392
Excess of operating revenues over operating expenses	2,183,110	205,849		2,388,959	1,054,254
Non-operating income (expense)					
Breeders' Cup Limited license fee	(1,600,000)			(1,600,000)	
Investment income	60,000		(60,000)		
Interest income (expense)	96,921	(707,363)		(610,442)	(1,164,778)
Other income	151,267			151,267	158,742
Total non-operating income (expense)	(1,291,812)	(707,363)	(60,000)	(2,059,175)	(1,006,036)
Excess of revenues over (under) expenses	891,298	(501,514)	(60,000)	329,784	48,218

Continued next page.

Consolidated Statements of Activities and Changes in Net Assets

For the Years Ended December 31, 2004 and 2003 (with Consolidating Details in 2004)

	NTRA, Inc.	NTRA Investments, LLC	Intercompany Eliminations	2004 Consolidated	2003 Consolidated
Other changes					
Dividends declared		(60,000)	60,000		
Board designated net assets released from designation (allocated for special programs)	500,000			500,000	(500,000)
Change in undesignated net assets (deficit)	1,391,298	(561,514)		829,784	(451,782)
Undesignated net assets at beginning of year, including preferred membership interest	4,356,879	(1,188,120)	(975,000)	2,193,759	2,645,541
Undesignated net assets at end of year, including preferred membership interest	5,748,177	(1,749,634)	(975,000)	3,023,543	2,193,759
Board designated net assets at beginning of year	500,000			500,000	
Board designated net assets (released from designation) allocated for special programs	(500,000)			(500,000)	500,000
Board designated net assets at end of year					500,000
Total net assets (deficit) at end of year	\$ 5,748,177	\$ (1,749,634)	\$ (975,000)	\$ 3,023,543	\$ 2,693,759

See accompanying notes.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2004 and 2003

	2004	2003
Cash flows from operating and non-operating activities		
Excess of revenues over (under) expenses	\$ 329,784	\$ 48,218
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by operating and non-operating activities:		
Loss on receivable		436,076
Loss on investment	66,667	
Loss on disposal of assets	14,320	
Depreciation and amortization	3,625,626	2,850,030
Amortization of discount on long-term debt	8,687	17,625
Changes in operating assets and liabilities:		
(Increase) in accounts receivable, net	(153,409)	(901,286)
(Increase) decrease in receivable from Breeders' Cup Limited	(456,409)	677,418
Decrease in prepaid expenses	153,564	299,936
Decrease (increase) in other assets	28,022	(34,041)
Increase (decrease) in accounts payable	691,742	(342,143)
Increase in accrued liabilities	2,138,916	485,031
Increase (decrease) in deferred revenue	165,337	(129,503)
(Decrease) increase in other long-term liabilities	(549,007)	956,543
Net cash provided by operating and non-operating activities	<u>6,063,840</u>	<u>4,363,904</u>
Cash flows from investing activities		
Purchase of Winner Communications, Inc. assets	(3,000,000)	(3,750,000)
Purchase of property and equipment	(675,922)	(252,324)
Net cash used in investing activities	<u>(3,675,922)</u>	<u>(4,002,324)</u>
Cash flows from financing activities		
Payment of long-term debt	(162,500)	(87,917)
Board designated allocations	500,000	(500,000)
Net cash provided by (used in) financing activities	<u>337,500</u>	<u>(587,917)</u>
Net increase (decrease) in cash and cash equivalents	2,725,418	(226,337)
Cash and cash equivalents at beginning of year	4,231,672	4,458,009
Cash and cash equivalents at end of year	<u>\$ 6,957,090</u>	<u>\$ 4,231,672</u>
Supplemental disclosure		
Cash paid for interest	<u>\$ 703,467</u>	<u>\$ 1,281,822</u>

See accompanying notes.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2004 and 2003

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 percent ownership interest. The remaining 25 percent 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 horse racing 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. In the event that NTRA’s accumulated net assets exceed \$6,500,000 in any year through 2010, the Agreement specifies the payment of a one-time license fee from NTRA to BCL. The benchmark was met in 2004; therefore, NTRA paid \$1,600,000 in 2004 and recorded the Breeders’ Cup Limited license fee on the consolidated statements of activities and changes in net assets.

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, 2004 and 2003, the annual allocation is \$2,000,000 and \$1,500,000, respectively. These amounts are included in revenues from BCL in the consolidated statements of activities and changes in net assets. For 2005, BCL has committed an allocation of \$2,250,000. 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.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2004 and 2003

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 was \$27,500,000, subject to adjustments as described below and 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 was payable on the amounts due in 2003 through 2005 at a rate of 6 percent 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 based on Winnercomm's achievement of guaranteed minimum net income as defined in the agreement through 2005. If the guaranteed minimum net income was not met in a given year, the payment for that year was reduced on a dollar-for-dollar basis by the net income shortfall.

The Association paid \$750,000 on the due date of April 1, 2004 and \$2,250,000 on the same day, one year in advance of the due date of April 1, 2005. The total paid in 2004 of \$3,000,000 represents full settlement of the Association's purchase of certain assets of Winnercomm. For the year ended December 31, 2003, the guaranteed net income was satisfied; accordingly, \$2,250,000 became payable towards the purchase price of which \$1,500,000 was paid in 2003. Therefore, \$750,000 was recorded as deferred purchase consideration on the consolidated statements of financial position as of December 31, 2003.

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' horse racing 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 \$3,703,000 and \$2,865,000 for the years ended December 31, 2004 and 2003, respectively. Effective January 1, 2002, the Services Agreement was extended through 2008, requiring a management fee of \$3,811,000 in 2005, \$3,923,000 in 2006, \$4,040,000 in 2007 and \$4,162,000 in 2008.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the NTRA and its subsidiaries. All significant inter-company 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.

Reclassifications

Certain reclassifications have been made to the 2003 consolidated financial statements to conform to the 2004 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.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2004 and 2003

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 2004 and 2003 are membership dues along with fees associated with television, sponsorship, purchasing and promotions.

Racetrack members and horsemen's association dues are recognized in the year to which the membership relates. 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, purchasing and promotion revenues are earned based upon the satisfaction of contractual terms. All cash received in 2004 and 2003 related to events occurring in 2005 and 2004, respectively, is appropriately 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. 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 continue to be received and 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 2003, NTRA's Board of Directors designated \$500,000 of net assets for funding of the Wagering Systems Task Force in 2004. The task force conducted a systematic review of the causes of reduced purse levels in U.S. horse racing and issued a report in 2004. The amount is reflected in 2004 as board designated net assets released from

designation and in 2003 as allocated for special programs on the consolidated statements of activities and changes in net assets. Additionally, in 2003 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.

Accounts Receivable

Accounts receivable are recorded net of an allowance for doubtful accounts of approximately \$453,000 and \$300,000 as of December 31, 2004 and 2003, respectively. Changes in the allowance are reflected against membership dues on the consolidated statements of activities and changes in net assets. For 2004, 10 percent of accounts receivable is outstanding from a single customer. No other concentrations of credit risk existed at December 31, 2004 or 2003.

Advertising and Prepaid Expenses

The Association expenses print advertising costs as incurred and media advertising costs the first time the advertising takes place. As of December 31, 2004 and 2003, the Association had included approximately \$529,000 and \$749,000, respectively, in prepaid expenses on the consolidated statements of financial position relating to amounts paid for production costs in advance of media advertising being aired.

Intangible Assets

The Association accounts for finite-lived 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.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2004 and 2003

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 \$241,000 and \$349,000 in 2004 and 2003, 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 print, radio, television and outdoor advertising in its local market. Included in accounts payable and accrued liabilities at December 31, 2004 and 2003 are amounts totaling approximately \$3,518,000 and \$2,440,000 respectively, relating to this program.

3. Founding Membership of the Thoroughbred Owners and Breeders Association

During 2000, the Thoroughbred Owners and Breeders Association ("TOBA") became the sixth Founding Member of NTRA and agreed to pay a \$1,000,000 founding membership fee in installments through 2005. In February 2004, the parties mutually agreed to restructure the financial terms, under which two payments remain in the amount of \$83,333 due March 30, 2005 and 2006. The receivable is included in other assets on the consolidated statements of financial position, net of discount to present value at 6 percent (\$25,532 in 2004 and \$27,249 in 2003), with a balance of \$141,135 and \$222,751 as of December 31, 2004 and 2003, respectively. This settlement resulted in a loss to the Association of \$436,076 in 2003 and is recorded as loss on receivable in the consolidated statements of activities and changes in net assets.

4. Property and Equipment

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

	2004	2003
Computer equipment	\$1,153,404	\$ 766,270
Furniture and fixtures	334,500	290,227
Leasehold improvements	235,910	160,115
Other equipment	161,181	70,331
	<u>1,884,995</u>	<u>1,286,943</u>
Less: accumulated depreciation and amortization	(991,494)	(814,260)
	<u>\$ 893,501</u>	<u>\$ 472,683</u>

5. Intangible Assets

Finite-lived intangible assets consist primarily of the purchased assets of Winnercomm, including broadcast rights, a racing video library and intellectual property rights. Prior to 2001, these assets were amortized using the straight-line method over five years, with five years representing the useful life of the assets under the original term of the Purchase Agreement. 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.

Intangible assets increased by \$2,250,000 in both 2003 and 2004 as a result of payments made by the Association against the purchase price and Winnercomm's satisfaction of guaranteed net income (see "Nature and Business of Organization – Purchase of Winner Communications, Inc. Assets").

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2004 and 2003

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 paid in 2003, \$162,500 paid in 2004, and \$162,500 payable in 2005. The present value of the remaining payment at an interest rate of 6 percent is recorded on the consolidated statement of financial position as current portion of long-term debt in a total amount, \$162,500. The amount was paid in January 2005 as full settlement of the purchase price. Total purchase consideration was allocated to non-compete agreements, included in intangible assets, net, on the consolidated statements 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 finite-lived intangible assets consist of the following as of December 31:

	2004	2003
Broadcast rights and film archives	\$26,230,316	\$24,139,170
Non-compete agreements	634,607	634,607
	<u>26,864,923</u>	<u>24,773,777</u>
Less: accumulated amortization	(13,805,111)	(10,579,123)
	<u>\$13,059,812</u>	<u>\$14,194,654</u>

Amortization expense is approximately \$3,226,000 and \$2,501,000 for the years ended December 31, 2004 and 2003, respectively.

6. Long-Term Debt

NTRA has a revolving line of credit with a bank for an amount up to \$2,000,000 with interest of 0.25 percent below the prime rate payable monthly and a maturity date of June 30, 2005. As of December 31, 2004 and 2003, the NTRA had no outstanding borrowings under the line of credit, with the exception of a letter of credit for approximately \$80,000 used to secure the lease of office space in New York. Interest expense on the line of credit was not significant in 2004 and 2003.

The NTRA holds letters of credit from financial institutions to secure its leases of office space in Lexington, Kentucky and New York, New York. The letter of credit used to secure office space in New York is deducted from the available balance on the line of credit as discussed above. It is for an amount of approximately \$80,000. The letter of credit used to secure office space in Lexington is for an amount of approximately \$650,000.

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 January 1, 2004, interest is payable monthly at 4 percent. For the period from July 1, 2002 to December 31, 2003, interest was payable monthly at 6 percent. Interest expense on the Loan (including amounts due to an NTRA affiliate) approximated \$685,000 and \$892,250 in 2004 and 2003, respectively. The assets of NTRA Investments, including NTRA Productions, secure the Loan.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2004 and 2003

7. Income Taxes

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

8. Commitments and Contingencies

Rent expense, which includes rent for office space, storage and various equipment in Lexington, Kentucky and New York, New York, amounted to approximately \$823,000 and \$814,000 for the years ended December 31, 2004 and 2003, respectively.

Future minimum lease payments under existing lease agreements as of December 31, 2004 are as follows:

2005	\$ 795,427
2006	801,896
2007	819,409
2008	450,361
2009	284,729
Thereafter	<u>43,797</u>
Total	<u>\$3,195,619</u>

In January, 2005, NTRA entered into a lease to rent additional office space in Lexington. Future lease payments under this lease are approximately \$48,000 per year until 2008.

9. 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 transactions are conducted from time to time between the Association and BCL. The Membership and Management Services Fee provided by BCL to NTRA totaled approximately \$36,000,000 and \$32,000,000 in 2004 and 2003, respectively. In 2004, NTRA paid the one-time license fee of \$1,600,000 to BCL. As of December 31, 2004 and 2003, 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 2004 and 2003 includes approximately \$200,000 and \$300,000, respectively, related to this indebtedness. There is no related interest payable in 2004 or 2003.

10. Barter Transactions

The Association has agreements with certain national and industry sponsors that provide mutual non-cash benefits to both parties under barter transactions. The benefits received by the Association from sponsors are recorded as revenue at the fair market value when received. The use of these benefits is recorded as expense at the time of use. For the years ended December 31, 2004 and 2003, the Association recognized revenue and related advertising expense from these sponsors of approximately \$396,000 and \$390,000, respectively.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2004 and 2003

11. Retirement Plans

The National Thoroughbred Racing Association 401(k) Retirement Plan ("Retirement Plan") covers all full-time employees over the age of 21 upon three months of service. Benefits vest over a period of two to five years. The NTRA contributes an amount equal to 4 percent of a covered employee's salary. In addition, NTRA matches amounts contributed by covered employees. Matching contributions amount to 100% of the first 3 percent of employee contributions. The Retirement Plan's contribution expense approximated \$370,000 and \$336,000 for the years ended December 31, 2004 and 2003, respectively.

The National Thoroughbred Racing Association Deferred Compensation Plan follows in form the Retirement Plan and covers full-time eligible employees whose annual compensation exceeds the 401(k) ERISA salary limits. It exists in accordance with section 457 of the Internal Revenue Code. Under this plan, employee benefits vest at the earlier date of retirement age or the completion of ten years of service (as defined in the plan document). The Deferred Compensation Plan's contribution expense approximated \$48,000 and \$52,000 for the years ended December 31, 2004 and 2003, respectively.

12. Officers' Compensation

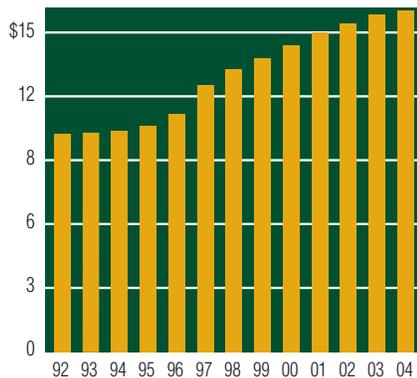
The annual compensation of the NTRA Corporate Officers (Commissioner, Vice Chairman, Secretary and Treasurer) includes a base salary, annual incentive compensation and long term incentive compensation. Additionally, the officers are included in the NTRA's employee fringe benefits programs. The aggregate annual compensation of the Corporate Officers included in operating expenses on the statements of activities and changes in net assets for the years ended December 31, 2004 and 2003 is \$2,558,328 and \$2,914,678, respectively. Long term compensation which has been expensed but not paid or earned due to uncompleted years of employment by each of the respective officers is reported as other long-term liabilities on the statements of financial position, as well as in the aggregate compensation reported above.

Effective September 1, 2004, the Commissioner of the Association resigned and the Vice Chairman replaced the Commissioner.

Thoroughbred Racing's Leading Economic Indicators

North American Wagering

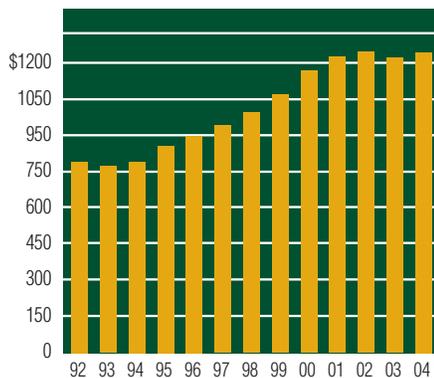
(in billions)



Pari-mutuel handle wagered on Thoroughbred racing in the United States during 2004 (including separate pools first reported in 2000) declined 0.5 percent, the first decrease in 11 years, while combined North American handle slipped 0.6 percent. The off-track sector accounted for 87.7 percent of United States handle, up slightly from the year before.

North American Purses

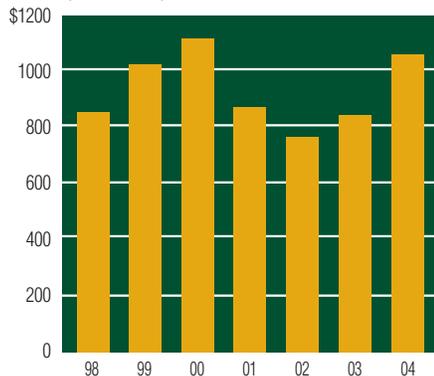
(in millions)



Gross purses in the United States reached record levels in 2004, rebounding 3.5 percent from 2003 when purses sustained their first decline in 10 years. Driving this growth was the introduction of alternative gaming at Evangeline Downs and Finger Lakes Racetrack, as well as expansion of slot operations at Charles Town Races. Accordingly, the states showing the largest percentage increases in available purse money in 2004 were Louisiana (+23.5 percent) and West Virginia (+21.4 percent). With its expanding purse structure, West Virginia ranked only behind California and New York in total purse money available.

North American Total Gross Auction Sales

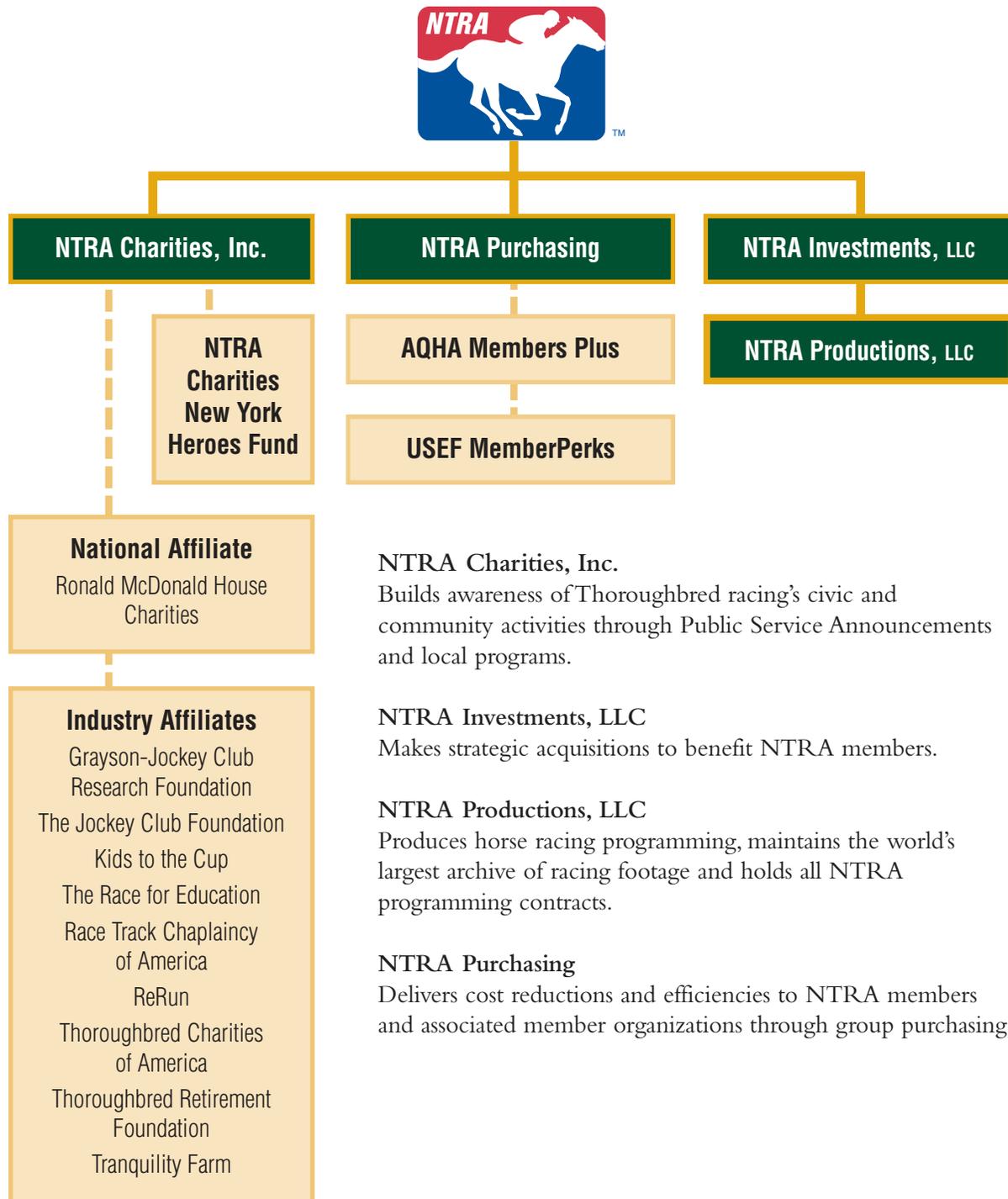
(in millions)

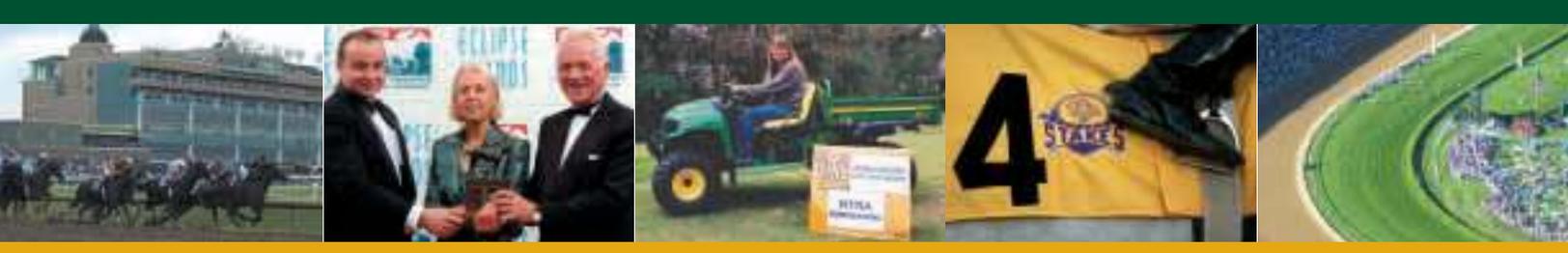


Total gross sales in 2004 surged 23.3 percent due in part to a steadily improving American economy, tax code revisions beneficial to industry participants, and strength of foreign currencies against the United States dollar, which helped drive increased participation by overseas buyers. Against 2003 returns, last year's gross sales for broodmares soared 29.2 percent; the two-year-old gross jumped 25.5 percent; yearlings advanced 16.9 percent; and weanlings increased 5.4 percent.

Statistics and analysis for North American wagering, purses and total gross auction sales courtesy of The Jockey Club. Images courtesy of Breeders' Cup Limited, Horsephotos.com and Keeneland.

Organization Structure





Kentucky Office

2525 Harrodsburg Road
Lexington, KY 40504
Tel: (859) 223-5444
Fax: (859) 223-3945



Tel: (800) 792-NTRA E-mail: ntra@ntra.com Internet: www.ntra.com



New York Office

800 Third Avenue
Suite 901
New York, NY 10022
Tel: (212) 230-9500
Fax: (212) 752-3093