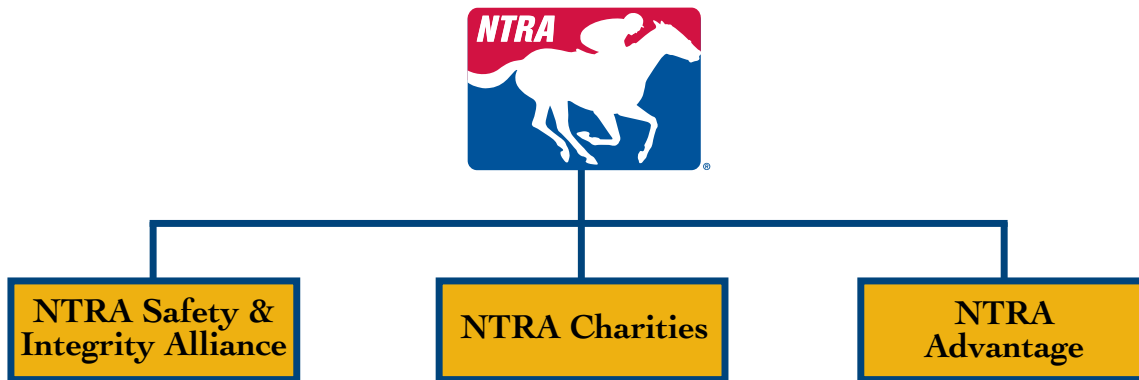


NTRA ANNUAL REPORT to the MEMBERSHIP

| 2010-2011



ORGANIZATION STRUCTURE



NTRA Safety and Integrity Alliance

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

NTRA Charities, Inc.

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

EquiSource, LLC

D/B/A NTRA Advantage

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

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INDUSTRY PROGRAMS	INSIDE BACK COVER

MESSAGE from the NTRA PRESIDENT and CEO



May 12, 2011

The lingering economic recession notwithstanding, 2010 was a potent year for the NTRA and racing.

Public awareness of our sport leapt with the popularity of eventual Horse of the Year

Zenyatta. Features on the *Oprah Winfrey Show* and *60 Minutes* gave the charismatic mare an added touch of glamour and brought racing to a new, receptive audience of fans. Her thrilling race in the Breeders' Cup Classic – and her heartbreaking loss to Blame – demonstrated that courage, not perfection, was the true measure of her greatness.

The 40th annual Eclipse Awards ceremony celebrated not only Zenyatta but some of our sport's greatest legends, led by Claiborne Farm and Marylou Whitney. Showcasing our sport's influencers and athletes is one of the NTRA's most important marketing functions.

The year in Washington, D.C., was no less dramatic than any of the extraordinary athletic performances we witnessed in 2010. Global gaming companies expended \$30 million on lobbying in an unsuccessful attempt to secure passage of new legislation that would enable poker and other forms gaming on the Internet. Horse racing has offered legal pari-mutuel wagering on the Internet for more than a decade under the aegis of the Interstate Horseracing Act and protection of this important market remains our top legislative priority.

Volatile mid-term elections and a foreshortened legislative calendar ultimately precluded passage of any new I-gaming legislation, but the NTRA positioned itself and the horse

racing industry as key players in any debate on the future of online betting. As the 112th Congress gets under way, we have already seen new efforts to reintroduce I-gaming legislation. As always, the NTRA's lobbying team is there to protect and promote horse racing's interests.

NTRA's marketing expanded in 2010 to include NTRA Live! – a series of Webcast races leading to the Triple Crown and Breeders' Cup World Championships. NTRA also committed to making the *Daily Racing Form*/NTRA National Handicapping Championship the richest ever, with a total estimated purse of \$2 million and a \$1 million first-place prize. We can't think of a better way to tell our horseplayers that they are an important segment of our game. With Treasure Island casino in Las Vegas as the new host site for the Championship, we anticipate an ever-improving event for our players in the years to come.

The NTRA Safety & Integrity Alliance achieved a notable milestone with the accreditation of Sunland Park in 2010. The track began the review process with deficiencies in several areas. Through cooperative efforts between the track, horsemen and regulators, Sunland ultimately addressed each deficiency to achieve full accreditation. The process was an example of the Alliance at its best, bringing industry stakeholders together to reach a common goal: improving safety for our human and equine athletes.

Through the annual report of the Alliance independent monitor, former Health and Human Services Secretary Tommy Thompson, NTRA and its accredited racetracks offer a transparent record of the industry's progress in raising the bar for safety and integrity. But as noted in the monitor's report, too few tracks have been accredited in recent months. As we look further into 2011, we anticipate that the number of reaccredited and newly accredited facilities will increase to approximately 30, nearly double the number accredited in the Alliance's first year.

The Alliance brought one additional benefit in 2010: the sponsorship of Pfizer Animal Health, which became the official Equine Health Promotional Partner of the NTRA. Pfizer Animal Health has generously supported the NTRA's Barbaro Fund for Equine Health and Safety Research, but 2010 marked the first year it has been an Alliance sponsor.

Pfizer's support – along with sponsorship by the Keeneland Association – enabled us to host the inaugural NTRA Professional Education (ProEd) seminar. The day-long ProEd brought together some of the world's foremost researchers and equine experts to discuss issues ranging from jockey health care to equine retirement and retraining. Our next seminar promises to be even better and will once again reach a global audience through simulcasting and Webcasting.

The NTRA continues to fulfill its educational goals in other ways, including its Track Superintendents day. More than 40 track maintenance experts – with more than a thousand years' worth of collective experience in this delicate and difficult art – joined for a two-day meeting at New York's Belmont Park to exchange ideas and best practices. Pfizer Animal Health also supported this event for the first time, bringing a welcome new perspective on issues that relate to equine safety on the racetrack.

NTRA's long-standing partner, John Deere, continued its support for Track Superintendents day for a tenth consecutive year. Deere's incomparable knowledge of hydrology and soil science has been invaluable to NTRA member racetracks, which daily seek the best, safest racing surface possible, and to our thousands of training centers and breeding farms that rely on Deere products to make their jobs easier.

We are pleased to have renewed our partnership with John Deere in early 2011 and to have renewed our affiliation with member organizations such as American Quarter Horse Association and the United States Equestrian Federation. The support of our sponsors and industry affiliates brought our for-profit sales subsidiary, NTRA Advantage, to a renewed period of growth in 2010 after two years of declines amidst the economic recession.

Finally, the NTRA expanded its membership in a small, but significant way in 2010 by opening its National Handicapping Championship Tour to more players. The Tour is expected to generate some 5,000 signups in 2011, with each participant becoming an NTRA member. Our industry has long relied on its fan base for pari-mutuel wagering and attendance at its race tracks. It's time we recognized our fans as an integral part of our industry.

As a national association of horse racing facilities, participants and fans, we are here to serve the interests of all our members. Please feel free to share with us your thoughts, comments and concerns at any time. We welcome your opinions and thank you for your support.

Sincerely,



Alexander M. Waldrop
President and CEO

2010 BOARD of DIRECTORS

The NTRA Board of Directors consists of the NTRA CEO and representatives for racetracks and for horsemen, owners and breeders.

Track director seats include independent representatives and two major track companies: Keeneland Association and the New York Racing Association.

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

TRACK REPRESENTATIVES

Independent Seats

Robert N. Elliston
Turfway Park
Midwestern Region

Craig Fravel
At-Large

F. Jack Liebau, Sr.
Hollywood Park
Western Region

Dennis Robinson
NJSEA
Eastern Region

Racetrack Company Seats

Charles Hayward
New York Racing Association

Nick Nicholson
Keeneland Association

OWNER/BREEDER/HORSEMEN REPRESENTATIVES

Antony Beck
Breeders' Cup Limited

Reynolds Bell

Thoroughbred Owners and Breeders Association

Robert Clay
The Jockey Club

Alan Foreman
Thoroughbred Horsemen's Association

Satish Sanan
Breeders' Cup Limited

Joseph Santanna
Horsemen's Benevolent and Protective Association

Pablo Suarez
Thoroughbred Owners of California

NTRA CORPORATE OFFICERS

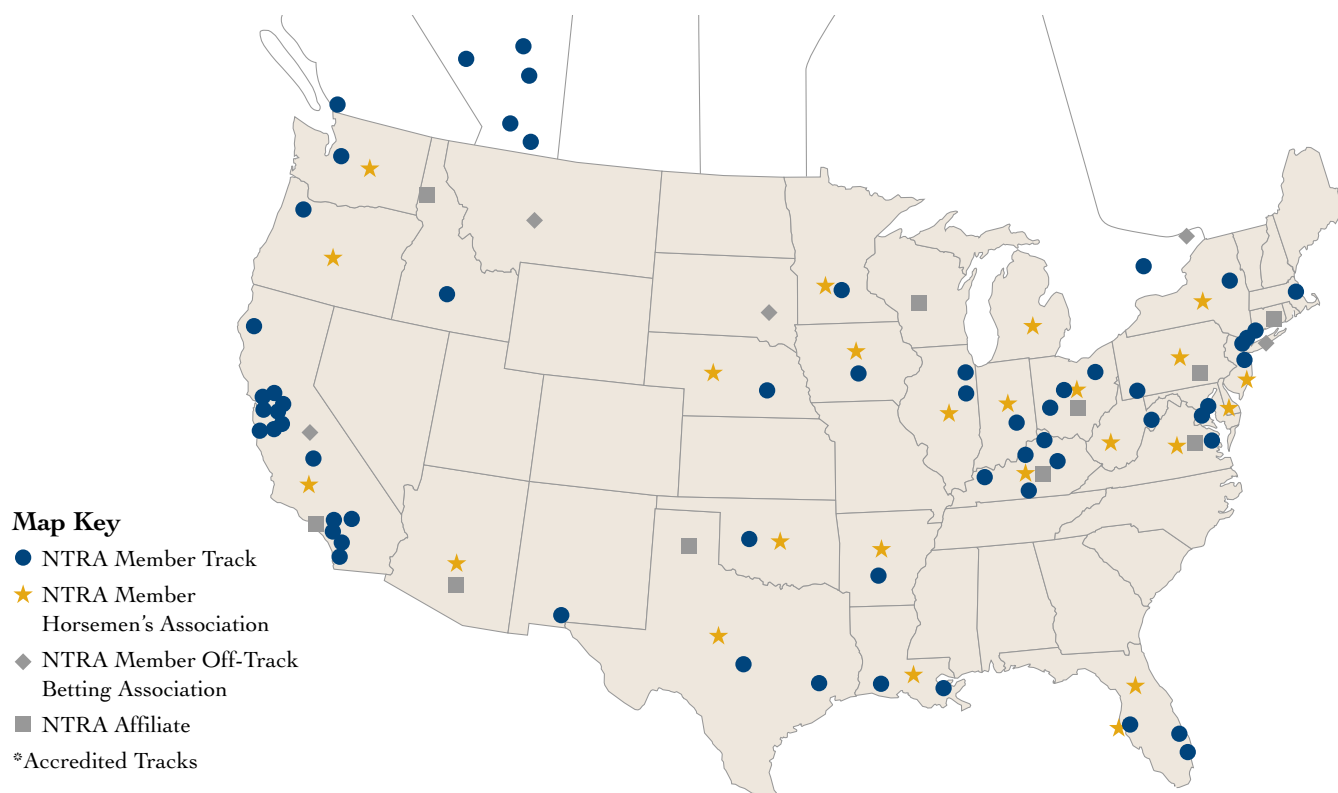
Robert N. Elliston
Executive Chairman

Alexander M. Waldrop
President and CEO

Robert Watt
Secretary

Vicki L. Baumgardner
Treasurer

2010 MEMBER ORGANIZATIONS, ACCREDITED RACETRACKS and AFFILIATES



Founding Members

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

Special Member

Television Games Network

Horsemen's

Associations

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

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

National THA

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

Pacific Quarter Horse Racing Association
Thoroughbred Owners of California

Affiliates

American Driving Society

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

Racetracks

CALIFORNIA

California Authority of Racing Fairs
Del Mar*
Fairplex Park
Golden Gate Fields*
Hollywood Park*
Oak Tree Racing Association*
Santa Anita Park*

CANADA

Hastings Racecourse
Woodbine Entertainment Group*

DELAWARE

Delaware Park*

FLORIDA

Calder Race Course*

ILLINOIS

Arlington Park*

IOWA

Prairie Meadows

KENTUCKY

Keeneland*
Kentucky Downs
Turfway Park*

LOUISIANA

Fair Grounds*
Harrah's, Louisiana Downs

MARYLAND

Laurel
Pimlico Race Course*

MASSACHUSETTS

Suffolk Downs

MINNESOTA

Canterbury Park*

NEW JERSEY

Monmouth Park*

NEW MEXICO

Sunland Park*

NEW YORK

Aqueduct*
Belmont Park*

Finger Lakes*
Saratoga*

OHIO

Beulah Park
Thistledown

OKLAHOMA

Remington Park

OREGON

Portland Meadows

PENNSYLVANIA

The Meadows

TEXAS

Lone Star Park
Sam Houston Race Park

WASHINGTON

Emerald Downs

WEST VIRGINIA

Mountaineer Park

FINANCIAL OVERVIEW

In late 2007, the NTRA Board of Directors approved a 50 percent reduction in membership dues and planned for operating deficits totaling \$5.4 million, spread over the years 2008, 2009 and 2010. Consistent with this plan, the NTRA absorbed a third consecutive operating loss during 2010 directly relating to the dues reduction.

Over the same three-year period, 2008-2010, NTRA anticipated that the NTRA Advantage program would continue to grow and support programs while the membership dues were reduced, thereby balancing the operating changes to breakeven by 2010. The recession of 2008/2009 resulted in unanticipated declines in NTRA Advantage that required a greater amount of cash reserves than anticipated be used to support programs, particularly in 2009.

With the recovery that began in 2010, a breakeven budget has been set for 2011.

Significant changes in cash during 2010

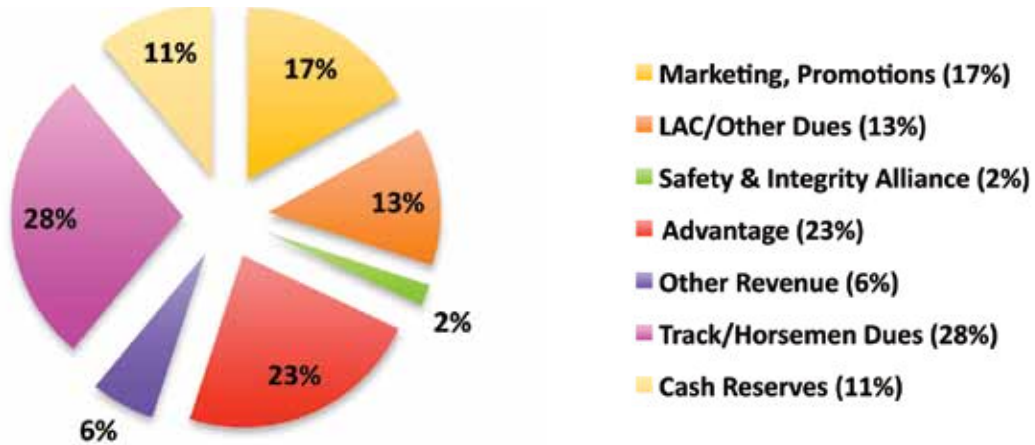
Cash, cash equivalents and investments, December 31, 2009	\$5,326,163
Payment of 2009 accounts payable, principally for 2009 television	(1,652,545)
2010 operating deficit	(1,012,623)
All other changes, net	<u>251,804</u>
Cash, cash equivalents and investments, December 31, 2010	<u>\$2,912,799</u>

Highlights of 2010 net income and expenses by program area

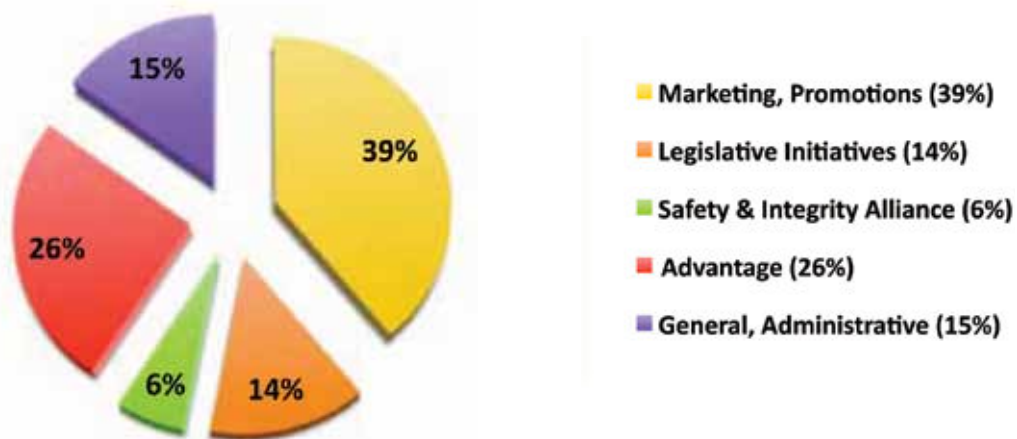
Revenues: Membership, LAC and other dues total	\$3,873,101
Advantage	2,138,847
Marketing, Promotions	1,608,125
Safety & Integrity Alliance	170,000
All other	<u>511,460</u>
Total revenues	8,301,533
Expenses: Advantage	2,390,644
Marketing, Promotions	3,601,013
Legislative	1,262,477
Safety & Integrity Alliance	516,054
General, administrative and other, net	<u>1,543,968</u>
Total expenses	9,314,156
Net operating deficit funded by reserves	<u>\$(1,012,623)</u>

FINANCIAL OVERVIEW

Sources of Funds - \$9.3 Million



Uses of Funds - \$9.3 Million



NTRA SAFETY and INTEGRITY ALLIANCE

“The Alliance is the single most important initiative taking place in racing today.”

–Antony Beck, owner, Gainesway Farm

In little more than two years, the NTRA Safety and Integrity Alliance has created a Code of Standards for horse racing, implemented a system of racetrack accreditation, established mechanisms for Code compliance through state regulation and “house rules,” and retained an independent monitor to analyze the Alliance’s progress and make recommendations.

The Code of Standards is revised annually with input from tracks, horsemen, regulators, veterinarians, jockeys and racing fans. The Code focuses on six areas: equine injury reporting and prevention; drug testing and medication; safety protocols; research; equine retraining and retirement; and wagering integrity. Consolidating industry protocols in these areas, the Alliance also benchmarks industry best practices.

The Alliance fosters professional education through an annual seminar, instituted in 2010 with sponsorship from the Keeneland Association and Pfizer Animal Health, and ongoing communications to horsemen at Alliance-accredited facilities. The Professional Education seminar includes an all-day workshop devoted exclusively to programs and services for Thoroughbred racehorses transitioning to non-racing careers.

By the end of 2010, the Alliance had accredited 20 racetracks. With renewals and new accreditations, the Alliance forecasts that up to 30 facilities – accounting for more than 80 percent of wagering on Thoroughbred races in the United States and Canada – will be accredited by the end of 2011.



Dr. James Orsini, an international authority on laminitis, speaking at the inaugural Professional Education Seminar.



Sunland Park achieved full accreditation from the NTRA Safety & Integrity Alliance in 2010.

GOVERNMENT AFFAIRS

“At least 25 states have contemplated expanding gambling over the past year.”

– Peter Applebome, The New York Times

As the national association representing horse racing’s interests in Washington, D.C., the NTRA supports a three-prong legislative strategy that includes government relations, lobbying and a Political Action Committee (PAC).

With input from its stakeholder groups, NTRA identifies issues important to horse racing and breeding; develops strategies to address these issues; builds relationships with members of Congress; educates lawmakers and industry members about horse racing’s legislative agenda; raises PAC and other voluntary contributions to support the effort; and communicates NTRA’s legislative progress.

On Capitol Hill, the NTRA’s lobbying team works to secure introduction of legislation. During the 111th

Congress, the team’s efforts resulted in legislation to protect horseracing’s interests under the Interstate Horseracing Act (IHA); establish a more equitable tax treatment for pari-mutuel winnings and ensure that horseplayers and racetracks are not unfairly impacted by inconsistencies in the tax code; and enable racetracks, racinos and other wagering service providers to enter the market for online poker if it is legalized at the federal level.

The NTRA represents the industry’s interests on immigration through its participation in the H-2B Coalition, a consortium of trade associations whose members rely heavily on foreign workers. As a member of the American Horse Council, it also supports advocacy on agricultural matters that impact the horse industry as a whole.



ECLIPSE AWARDS

“This is overwhelming.”

– Jerry Moss, co-owner of Zenyatta, accepting the Horse of the Year trophy

NTRA honors racing’s champions at the annual Eclipse Awards ceremony. The awards are voted on and presented by more than 250 representatives of the NTRA, *Daily Racing Form* (DRF) and National Turf Writers and Broadcasters (NTWAB).

Eclipse Awards recognize equine and human athletic performance in 17 categories. Additional 2010 honorees included Marylou Whitney and Claiborne Farm (Eclipse Award of Merit) and Team Zenyatta (Special Award).

Media Eclipse Awards are given in the categories of photography, audio and multi-media Internet, news/

commentary writing, feature/enterprise writing, local television, national television—feature and national television—live racing programming to recognize members of the media for outstanding coverage of Thoroughbred racing. An Eclipse Award for Handicapper of the Year is presented to the winner of the *Daily Racing Form*/NTRA National Handicapping Championship.

TVG broadcast and sponsored the 40th anniversary event from the Fontainebleau Hotel in Miami Beach, Fla., where owners Jerry and Ann Moss claimed the Horse of the Year trophy for their champion racemare Zenyatta.



Claiborne Farm (Seth Hancock)



Marylou Whitney



Team Zenyatta

Champions of 2010



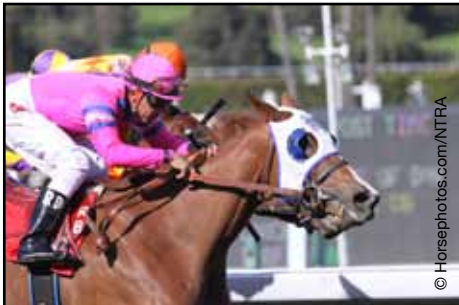
Two-Year-Old Filly: Awesome Feather



Two-Year-Old Male: Uncle Mo



Female Turf Horse: Goldikova (IRE)



Three-Year-Old Filly: Blind Luck



Female Sprinter: Dubai Majesty



Horse of the Year & Older Female: Zenyatta



Outstanding Breeder: Adena Springs



Male Turf Horse: Gio Ponti



Three-Year-Old Male: Lookin At Lucky



Older Male: Blame



Outstanding Owner: WinStar Farm



Male Sprinter: Big Drama



Outstanding Jockey:
Ramon Dominguez



Outstanding Trainer:
Todd Pletcher



Outstanding Apprentice
Jockey: Omar Moreno



Steeplechase Horse: Slip Away

NATIONAL HANDICAPPING CHAMPIONSHIP

“I actually visualized this moment about a year ago.
I’ve always loved betting the horses, but had never gotten involved in
tournament play until this past year.”

– John Doyle, DRF/NTRA Handicapper of the Year

After a dozen years, the *Daily Racing Form*/NTRA National Handicapping Championship (NHC) is the most important tournament of the year for horseplayers. With improvements announced during 2010, qualifiers in 2011 will vie for a chance to take home the \$1 million winner’s share of a \$2 million purse.

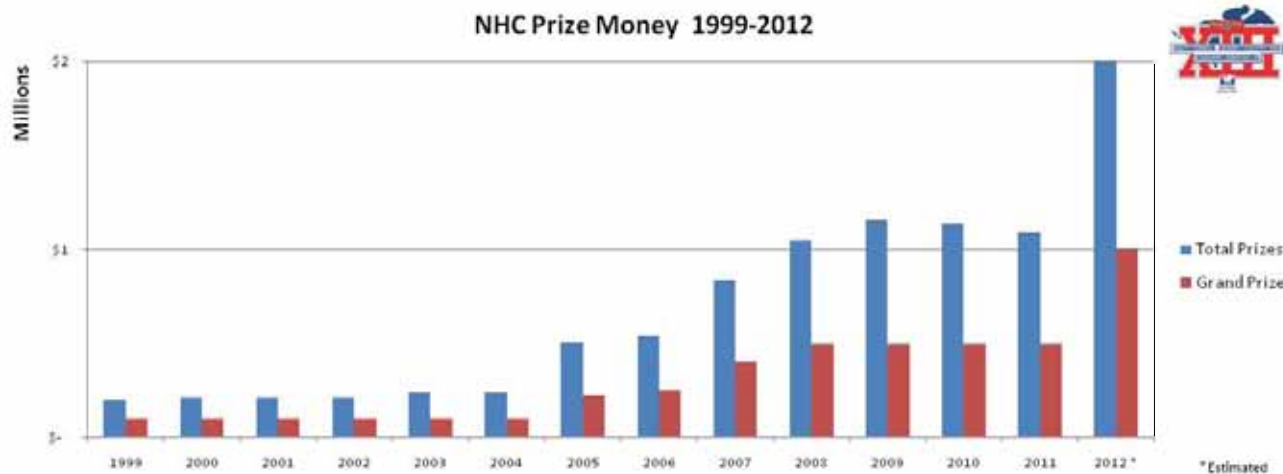
The NHC is the culmination of a year-long series of NTRA-sanctioned local tournaments conducted by racetracks, casino racebooks, off-track betting facilities and horse racing and handicapping Web sites, each of which sends its

top qualifiers to the national finals. Finalists advance from more than 100 local tournaments held at more than 50 sites across North America.

More than 100,000 players have participated in local tournaments, where special “last chance” and “shootout” events add to the drama in the final days leading up to the NHC. The January 2012 *Daily Racing Form*/NTRA National Handicapping Championship at Treasure Island Las Vegas will have an expected 500 contestants, led by defending champion John Doyle of Scottsdale, Ariz.



Former IBM executive John Doyle claimed the winner’s \$500,000 prize at the 12th annual *DRF*/NTRA National Handicapping Championship.



NTRA.COM

“Horse racing is a fascinating game,
and the more you know about it from every angle,
the more captivating it becomes.”

– Joe Kristufek, *Night School* host and co-owner of *Horseplayernow.com*

NTRA.com, the official content provider for CBSsports.com, caters to horse racing fans of every level. The site's new fan education program, “Night School,” offers 40 interactive sessions – each free of charge and running 90 minutes – in a regular, weekly time slot.

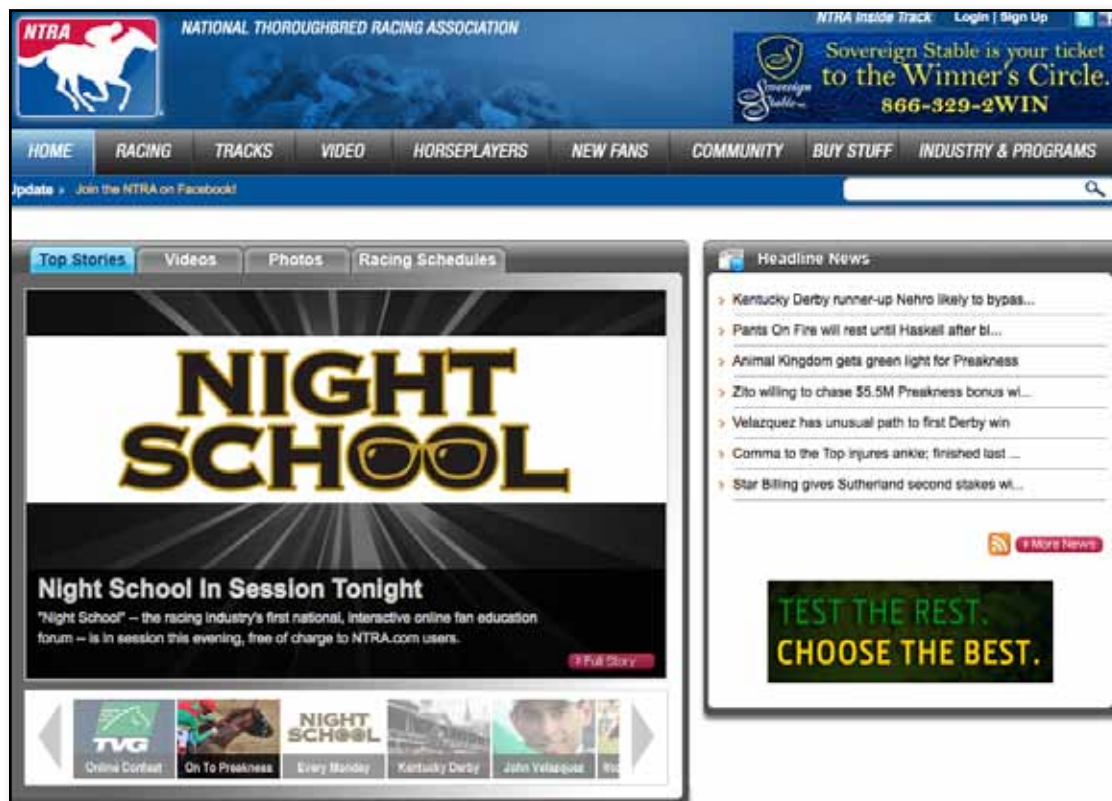
Night School is syndicated and implemented into racetrack and organization Web sites throughout the industry, providing a professional, consistent and unified outlet for fan education.

The national Night School chat module can be placed on any Web page and accompanied by the host Web

site's advertising, promotional links, contests and other messaging, making it completely customized.

Night School sponsors include NTRA, American Quarter Horse Association, Keeneland, *Daily Racing Form* and Horse Player NOW.

NTRA.com also features racing schedules and information for NTRA member tracks, an ever-expanding video library of the country's top races, polls, leader boards, race entries and results, statistics, expert analysis and an expansive menu of educational resources.



Co-hosted by Horseplayernow.com owners Jeremy Plonk and Joe Kristufek, weekly Night School lessons are offered free to any racing fan. Sessions include both novice and advance-level fan education.

NTRA COMMUNICATIONS

“The power of heart...Zenyatta”

– The 2010 O Power List, from *O, The Oprah Magazine*

Whenever, wherever and however Thoroughbred racehorses come into the spotlight, NTRA Communications’ media specialists are there working with their connections, home racetracks, media and fans to maximize racing’s exposure. The communications team works year-round, beginning with the National Handicapping Championships and the Eclipse Awards in January and ending with the last stakes race of the season in December, to identify and promote racing’s countless stories to local, regional and national media.

In 2010, the popular racemare Zenyatta gave the NTRA Communications team ample opportunity to bring racing to

a wider audience through the *Oprah Winfrey Show*, *60 Minutes* and other media outlets. The team also secured placement of stories on the phenomenal success of Cajun jockey Calvin Borel, featured in *ESPN Magazine*, and trainer Kathy Ritvo, a heart transplant recipient whose Derby dreams were chronicled in *USA TODAY*.

As it has for more than a decade, NTRA Communications also hosts weekly media teleconferences with racing’s top athletes, influencers and trainers, giving reporters and writers unparalleled access to our sport’s current and future newsmakers.



Cajun sensation Calvin Borel was among the sport’s headliners in 2010.



Zenyatta made headlines throughout 2010 as the popular mare sought a perfect record but fell just short.

NTRA CHARITIES

We're proud to support the Barbaro Fund for Equine Health and Safety Research in its efforts to raise money for equine medical research.

– Kristin Ruff, Senior Equine Marketing Manager for Pfizer Animal Health

Through its Barbaro Fund for Equine Health and Safety Research, NTRA Charities supports scientific conferences and research projects to promote racehorse health and safety. The fund is the primary fundraising arm for research under the NTRA Safety and Integrity Alliance and has received major support from Pfizer Animal Health.

NTRA Charities coordinates with the Grayson-Jockey Club Research Foundation to identify and fund research projects. Through its Research Advisory Committee, the Grayson Foundation communicates with memberships of the American Association of Equine Practitioners, American College of Veterinary Surgeons, American

College of Veterinary Internal Medicine, the British Equine Veterinary Association and the deans of 79 research institutions to encourage project proposals. The Barbaro Fund has contributed more than \$444,000 to educational seminars and to laminitis research projects recommended by the committee.

In 2011, the Barbaro Fund and the Grayson-Jockey Club Research Foundation together funded the second year of a two-year project, *In Vivo Gene Transfer for the Treatment of Laminitis*, undertaken by Dr. Dean Richardson at the University of Pennsylvania's New Bolton Center.



© Horsephotos.com/NTRA

Through the generous support of Pfizer Animal Health, the Barbaro Fund for Equine Health and Safety Research contributed more than \$37,000 to laminitis research at the University of Pennsylvania.

Pictured, from left to right, are Kristen Ruff, Sr. Equine Marketing Manager, Pfizer Animal Health; Stuart Meikle, Marketing Director, Pfizer Animal Health; Allison Meikle (Stuart's daughter); Dr. Dean Richardson, Chief of Surgery at the George D. Widener Hospital for Large Animals at the University of Pennsylvania's School of Veterinary Medicine; Charles Hayward, CEO of the New York Racing Association; and Jim Gallagher, Executive Director of the New York Thoroughbred Horsemen's Association.



NTRA ADVANTAGE

“The Thoroughbred industry – with its multi-billiondollar agribusiness represents a vital and important market for our products. We look forward to another mutually beneficial two years with the NTRA and its members.”

– Ken Taylor, general sales manager, John Deere Corporate Business Division

NTRA Advantage, a for-profit subsidiary of the NTRA, facilitates sales of products and services from leading suppliers to the one million members of the NTRA and its affiliated organizations.

Led by racetracks and farms, along with thousands of individuals, NTRA members and affiliates purchased nearly \$50 million worth of products from Advantage partners in 2010 – a three percent increase over the prior year – bringing total purchases to \$545 million since the company’s founding in 2002.

Early in 2011, NTRA Advantage renewed its sales partnership agreement with its largest sponsor, John Deere, and its affiliation with its two largest membership groups outside the Thoroughbred industry, the American Quarter Horse Association and the United States Equestrian Federation.

Advantage has sales throughout the United States and Canada and a nine-member team with representatives in five U.S. regions: Southwestern, Western, South Central, Upper Midwest and Northeast, as well as Canada.

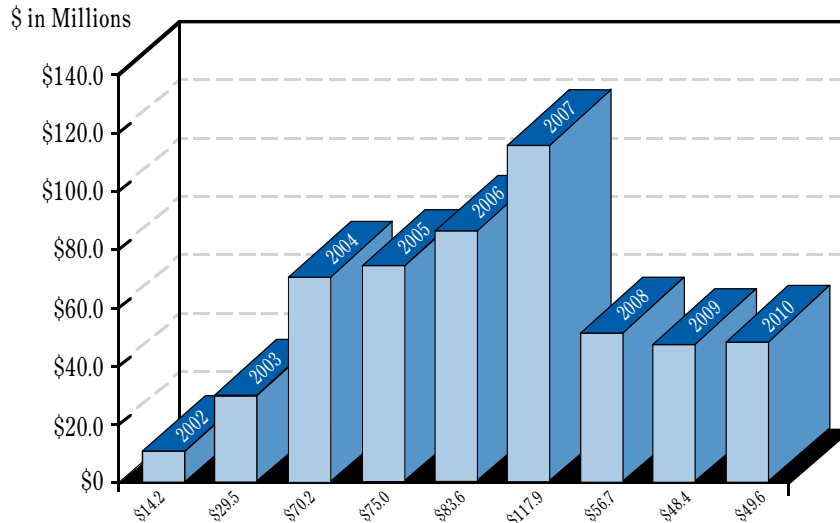


OfficeMax®



NTRA ADVANTAGE

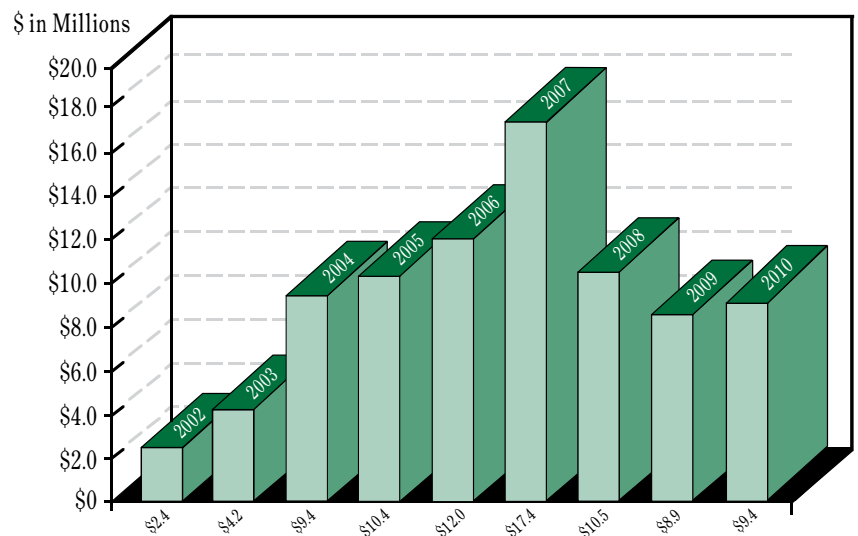
Sales



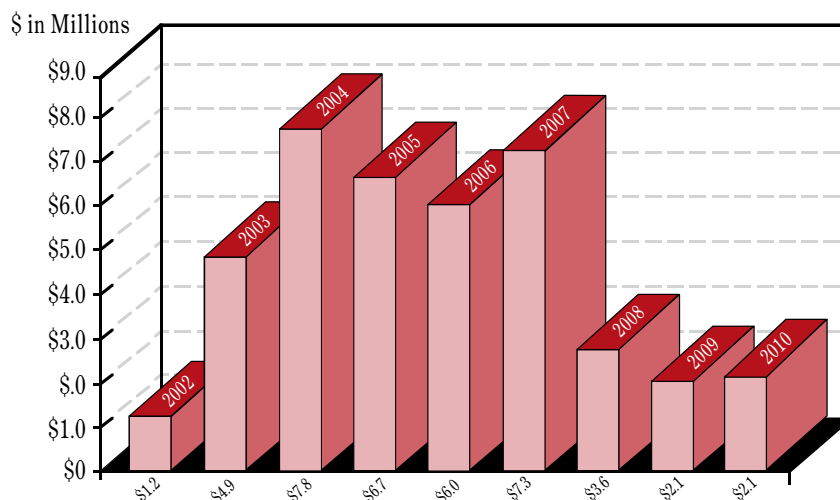
After two years of declines in the 2008/2009 recession, sales rebounded three percent in 2010.

Savings to Members

NTRA Advantage has delivered \$85 million in savings to NTRA members since 2002.



Revenue to NTRA



NTRA Advantage has contributed more than \$40 million toward NTRA membership programs and services.

A FINAL WORD

The NTRA's accomplishments in 2010 were made possible by you, our members, who continue to support the association through membership dues and voluntary contributions.

Renewing and reinvigorating our membership base is one of our most important activities – one that requires constant communication from NTRA management to our stakeholders.

Fortunately, technology enables us to reach our members more frequently and in more ways than we could just a few years ago. We'll be communicating

with NTRA members online at Facebook, Twitter, NTRA.com and YouTube; through periodic video messages and teleconferences; and via written updates and reports.

Most important, we'll be speaking to as many of our members as possible through face-to-face meetings at the races, the Eclipse Awards, NTRA Advantage-sponsored events on our backstretches and the industry's many meetings and forums.

We value your support and hope that you will continue to share with us your concerns, thoughts and opinions. We look forward to hearing from you.



National Thoroughbred Racing Association, Inc. and Subsidiaries

**CONSOLIDATED FINANCIAL STATEMENTS and
OTHER FINANCIAL INFORMATION**

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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National Thoroughbred Racing Association, Inc. and Subsidiaries

REPORT of INDEPENDENT AUDITORS

To the Board of Directors
National Thoroughbred Racing Association

We have audited the accompanying consolidated statement of financial position of National Thoroughbred Racing Association, Inc. and Subsidiaries (the "Association") as of December 31, 2010 and 2009, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Association as of December 31, 2010 and 2009, and the consolidated results of its activities, changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Louisville, Kentucky
April 15, 2011

STROTHMAN & COMPANY PSC

CONSOLIDATED STATEMENTS of FINANCIAL POSITION

AS OF DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 839,614	\$ 2,328,711
Investments	2,073,185	2,997,452
Accounts receivable, net	1,008,043	1,388,125
Prepaid expenses	269,449	98,735
Other assets	49,143	43,318
Property and equipment, net	154,820	143,371
Total assets	<u>\$ 4,394,254</u>	<u>\$ 6,999,712</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 841,870	\$ 2,494,415
Deferred revenue	1,208,767	1,155,188
Other long-term liabilities	30,364	24,233
Total liabilities	<u>2,081,001</u>	<u>3,673,836</u>
Net assets		
Unrestricted net assets	2,313,253	3,325,876
Total net assets	<u>2,313,253</u>	<u>3,325,876</u>
Total liabilities and net assets	<u>\$ 4,394,254</u>	<u>\$ 6,999,712</u>

See accompanying notes.

National Thoroughbred Racing Association, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS of ACTIVITIES and CHANGES in NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
OPERATING REVENUES		
Membership dues	\$ 4,223,101	\$ 4,922,832
Safety Alliance	170,000	328,200
Advantage	2,138,847	2,078,580
Television	—	218,126
Sponsorship and promotions	1,608,125	1,532,734
Contributions	104,259	61,478
Other revenues	57,201	39,042
Total operating revenues	8,301,533	9,180,992
OPERATING EXPENSES		
Television	—	1,909,216
Advantage	1,344,212	1,462,747
Advertising, marketing and promotions	2,790,997	2,993,728
Legislative and regulatory programs	686,339	856,386
Safety Alliance	185,759	638,376
Contributions	119,081	81,604
General and administrative	4,121,688	4,474,916
Depreciation and amortization	124,551	100,975
Total operating expenses	9,372,627	12,517,948
Operating revenues under operating expenses	(1,071,094)	(3,336,956)
NON-OPERATING INCOME		
Interest income	58,471	44,724
Other income	—	2,762
Total non-operating income	58,471	47,486
Revenues under expenses	(1,012,623)	(3,289,470)
OTHER CHANGES		
Gain on debt extinguishment	—	1,641,229
Change in unrestricted net assets	—	(1,648,241)
Unrestricted net assets at beginning of year	3,325,876	4,974,117
Total net assets at end of year	\$ 2,313,253	\$ 3,325,876

See accompanying notes.

National Thoroughbred Racing Association, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS of CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenues under expenses	\$ (1,012,623)	\$ (3,289,470)
Adjustments to reconcile revenues under expenses to net cash used in operating activities:		
Loss on disposal of assets	—	6,175
Depreciation and amortization	124,551	100,975
Changes in operating assets and liabilities:		
Decrease in accounts receivable, net	380,082	1,024,443
Decrease in prepaid expenses	(170,714)	51,918
Decrease in other assets	(5,825)	19,377
Decrease in accounts payable and accrued liabilities	(1,652,545)	(1,051,260)
Increase in deferred revenue	53,579	70,789
Increase (decrease) in other long-term liabilities	6,131	(26,006)
Net cash used in operating activities	(2,277,364)	(3,093,059)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in investments	924,267	(2,997,452)
Purchase of property and equipment	(136,000)	(41,667)
Net cash provided by (used in) investing activities	788,267	(3,039,119)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt	—	(3,432,915)
Net cash used in financing activities	—	(3,432,915)
Net decrease in cash and cash equivalents	(1,489,097)	(9,565,093)
Cash and cash equivalents at beginning of year	2,328,711	11,893,804
Cash and cash equivalents at end of year	\$ 839,614	\$ 2,328,711
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	\$ 120	\$ 197
Gain on debt extinguishment	—	1,641,229

See accompanying notes.

NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

I.] NATURE of BUSINESS and ORGANIZATION

The National Thoroughbred Racing Association, Inc. (the “NTRA” or the “Association”), is a not-for-profit membership organization incorporated in December 1997. The purpose of the NTRA is to strengthen the Thoroughbred racing industry by increasing public awareness, creating a centralized national structure, implementing comprehensive marketing strategies, enhancing the industry’s economic condition, establishing and securing implementation of standards and practices to promote safety and integrity in horse racing, and achieving significant revenue increases and cost reductions for its membership. NTRA, Inc., as reported on the consolidated statements of financial position and the consolidated statements of activities and changes in net assets, includes NTRA, Inc. and its wholly owned subsidiaries, NTRA Charities, Inc. (“NTRA Charities”) EquiSource, LLC (dba, NTRA Advantage, previously dba NTRA Purchasing) and NTRA Investments, LLC (“NTRA Investments”).

NTRA Charities is a not-for-profit, tax-exempt charitable organization whose purpose is to promote and support charities in or related to the Thoroughbred industry. Funds raised by NTRA Charities must be used for these purposes. Unspent net assets of NTRA Charities at December 31, 2010 and 2009 were \$103,000 and \$121,000, respectively.

NTRA Advantage, created in January 2002, is a for-profit, limited liability company whose purpose is to deliver cost savings and value-added services to NTRA members through contracts with major national suppliers.

NTRA Investments LLC is a for-profit limited liability company that is the 100 percent owner of NTRA Productions LLC, an entity created in 1999 to enter into a television contract with Winnercomm, Inc. This contract was terminated in April 2009 and neither of these entities have had any significant activity since then.

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

II.] SIGNIFICANT ACCOUNTING POLICIES

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

PRINCIPLES OF CONSOLIDATION

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

OPERATING REVENUES and EXPENSES

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

RISKS and UNCERTAINTIES

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

REVENUE RECOGNITION

In 2010 and 2009, the Association derived a significant portion of its revenue from membership dues and NTRA Advantage fees.

Racetrack and horsemen’s association dues are recognized in the year to which the membership relates. Contributions from public auction sales companies, and horse sellers and buyers participating in designated public auctions, are recognized in the year during which the sale is conducted. Other membership dues are rec-

NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

ognized as revenue when earned according to contract terms.

Promotion, sponsorship and NTRA Advantage revenues are earned based upon the satisfaction of contractual terms. All cash received in 2010 and 2009 related to events occurring in 2011 and 2010, respectively, is recorded in deferred revenue on the consolidated statements of financial position.

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

CASH and CASH EQUIVALENTS

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

INVESTMENTS

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

ACCOUNTS RECEIVABLE

Accounts receivable are recorded net of an allowance for doubtful accounts of approximately \$449,000 and \$437,000 as of December 31, 2010 and 2009, respectively. Changes in the allowance are reflected against membership dues on the consolidated statements of activities and changes in net assets.

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 \$125,000 and \$101,000 in 2010 and 2009, respectively.

ACCOUNTING FOR UNCERTAIN TAX PROVISIONS

In June 2006, the Financial Accounting Standards Board issued ASC 740-10. The Association adopted ASC 740-10 as of January 1, 2009 and, thereafter, recognizes the tax benefits from uncertain tax provisions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. It is the Association's policy to expense any interest and penalties associated with uncertain income tax positions in the year that the tax position is taken on the tax return. Interest is reported as interest expense and penalties are reported as other expenses.

The Association's open audit periods are 2008 through 2010. In evaluating the Association's tax status and potential liabilities, interpretations and tax strategies are considered. The Association believes its estimates are appropriate based on current facts and circumstances. For the years ended December 31, 2010 and 2009, the Association determined it did not have any uncertain tax provisions and the Association did not incur or accrue any associated interest or penalties related to those positions. Accordingly, there was no impact on the Association's financial statements as a result of the implementation of ASC 740-10.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities

NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 15, 2011, the date the financial statements were available to be issued.

CONCENTRATIONS OF RISK

The Association's cash and investment accounts used in operations are maintained at PNC Bank. Non-interest bearing cash deposits are fully insured by the Federal Deposit Insurance Corporation ("FDIC"). The Association also has cash equivalent and investment accounts at PNC Bank covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000. At December 31, 2010 and 2009, the Association had cash equivalents and investments in excess of the SIPC coverage of approximately \$2.2 million and \$3.8 million, respectively.

III.] INVESTMENTS

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

	Fair Value	Quoted Prices in Active Markets (Level I)
December 31, 2010		
Corporate Bonds	\$ 910,345	\$ 910,345
U. S. Government Debt Securities	760,402	760,402
Agency Bonds	402,438	402,438
	<u>\$ 2,073,185</u>	<u>\$ 2,073,185</u>
December 31, 2009		
Corporate Bonds	\$ 1,001,878	\$ 1,001,878
U. S. Government Debt Securities	1,995,574	1,995,574
	<u>\$ 2,997,452</u>	<u>\$ 2,997,452</u>

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

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

IV.] PROPERTY and EQUIPMENT

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

	2010	2009
Computer software and equipment	\$ 1,334,595	\$ 1,201,595
Furniture and fixtures	161,541	158,541
Leasehold improvements	56,688	56,688
Other equipment	241,325	241,325
	<u>1,794,149</u>	<u>1,658,149</u>
Less: accumulated depreciation and amortization	(1,639,329)	(1,514,778)
	<u>\$ 154,820</u>	<u>\$ 143,371</u>

V.] DEBT

LINES OF CREDIT

NTRA has a revolving line of credit with a bank for an amount up to \$1,500,000 with interest as selected by NTRA of the highest rate of (1) prime rate, (2) federal funds open rate plus 50 basis points or (3) the sum of

NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

the daily LIBOR rate plus 100 basis points. Interest is payable monthly and the maturity date is June 30, 2011. As of December 31, 2010 and 2009, the NTRA had no outstanding borrowings under the line of credit. Interest expense on the line of credit was not significant in 2010 and 2009.

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

WINNERCOMM ASSETS

In 1999, NTRA Investments LLC entered into a term loan agreement to fund the purchase of the assets of Winnercomm and to establish NTRA Productions. The loan had a maturity date of February 29, 2012. In April 2009, the NTRA reached an agreement with the lenders whereby they accepted \$3,200,000 for full payment of the outstanding debt balance of \$4,841,229. The gain of \$1,641,229 resulting from this debt extinguishment was recorded in 2009.

VI.] 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.

VII.] COMMITMENTS and CONTINGENCIES

Rent expense, which includes rent for office space, storage and various equipment in Lexington, Kentucky and Rye Brook, New York, amounted to approximately \$315,000 and \$292,000 for the years ended December 31, 2010 and 2009, respectively.

Future minimum lease payments under existing non cancellable operating lease agreements as of December 31, 2010 are as follows:

2011	\$ 297,000
2012	273,000
2013	66,000
Total	<u>\$ 636,000</u>

VIII.] 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.

There are leasing/rental transactions with *Daily Racing Form* LLC and Breeders' Cup Limited whereby the Association provides equipment or office space. Income from these transactions was \$18,800 in 2010 and \$30,700 in 2009.

IX.] RETIREMENT PLANS

The National Thoroughbred Racing Association 401(k) Retirement Plan ("Retirement Plan") covers all full-time employees over the age of 21 upon three months of service. Benefits vest over a period of two to five years. The NTRA may contribute a discretionary amount of a covered employee's salary. No discretionary amount was paid in 2010 or 2009. Additionally, NTRA's

National Thoroughbred Racing Association, Inc. and Subsidiaries

NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

contribution amounted to 100 percent of the first three percent of employee contributions. The Retirement Plan's contribution expense approximated \$67,307 in 2010 and \$60,495 in 2009.

The National Thoroughbred Racing Association Deferred Compensation Plan follows in form the Retirement Plan and covers full-time eligible employees whose annual compensation exceeds the 401(k) ERISA salary limits. It exists in accordance with section 457 of the Internal Revenue Code. Under this plan, employee benefits vest at the earlier date of retirement age or the completion of ten years of service (as defined in the plan document). The Deferred Compensation Plan's contribution expense approximated \$1,938 and \$1,650 for the years ended December 31, 2010 and 2009, respectively.

INDUSTRY PROGRAMS

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



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



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



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



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



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



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