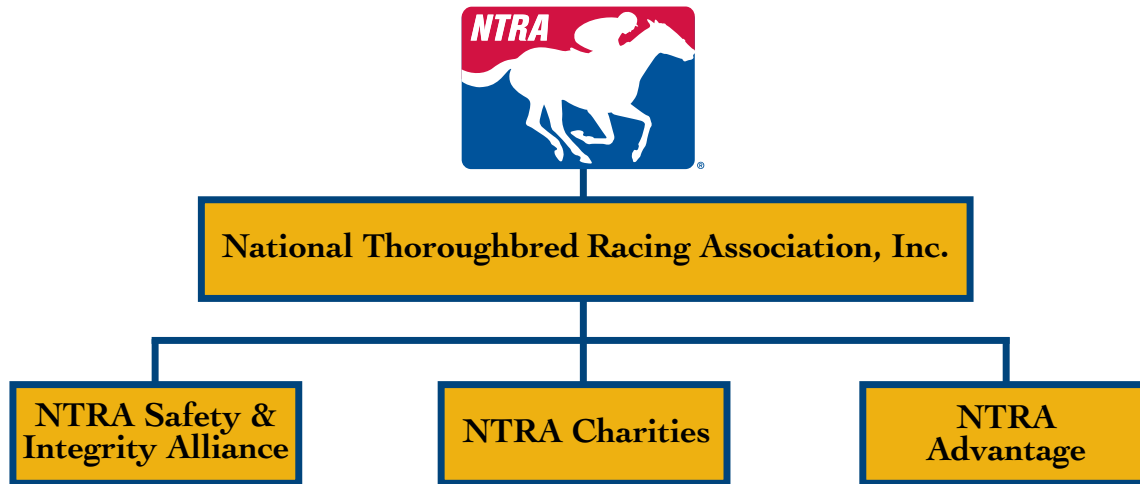


NTRA ANNUAL REPORT to the MEMBERSHIP  
| 2011-2012



---

## ORGANIZATION STRUCTURE



Launched in 1998, the National Thoroughbred Racing Association (NTRA) is a not-for-profit, membership-based trade association for the Thoroughbred racing and breeding industry. NTRA membership is broadly defined and consists of leading Thoroughbred racetracks, owners, breeders, trainers, horseplayers, veterinarians, jockeys, wagering service providers, and affiliated horse racing associations. The NTRA is charged with increasing the popularity of horse racing and improving the economic conditions for industry participants.

The NTRA is served by a Board of Directors that is comprised of representatives from member racetracks and horsemen, including owners and breeders. The NTRA operates three subsidiaries:

### **NTRA Safety and Integrity Alliance**

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

### **NTRA Charities, Inc.**

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

### **NTRA Advantage**

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

## TABLE of CONTENTS

ORGANIZATION STRUCTURE .....	INSIDE FRONT COVER
MESSAGE from the NTRA PRESIDENT and CEO .....	2
BOARD of DIRECTORS .....	4
MEMBER ORGANIZATIONS, ACCREDITED RACETRACKS and AFFILIATES.....	5
FINANCIAL OVERVIEW .....	6
NTRA SAFETY and INTEGRITY ALLIANCE .....	8
GOVERNMENT AFFAIRS .....	9
ECLIPSE AWARDS .....	10
NATIONAL HANDICAPPING CHAMPIONSHIP .....	12
DIGITAL MEDIA .....	13
NTRA COMMUNICATIONS .....	14
NTRA CHARITIES .....	15
NTRA ADVANTAGE .....	16
A FINAL WORD .....	18
FINANCIAL STATEMENTS .....	19
INDUSTRY PROGRAMS.....	INSIDE BACK COVER



---

## MESSAGE from the NTRA PRESIDENT and CEO



June 2012

Following several years of negative business trends driven primarily by the world-wide economic recession, the Thoroughbred industry began to show signs of recovery in 2011 as pari-

mutuel handle began to stabilize and purses increased when compared to the previous year. The breeding and sales markets also showed signs of recovery after several years of decline.

For an unprecedented third consecutive year, the racing headlines were dominated by a distaff competitor. Havre de Grace became the third consecutive female, following in the footsteps of Rachel Alexandra and Zenyatta, to be voted Horse of the Year. In addition to crowning Havre de Grace as the Horse of the Year and Champion Older Female, the 2011 Eclipse Awards festivities were highlighted by several poignant and memorable moments. They included the acceptance of the Special Eclipse Award by Robert Cole, Jr., the owner of Rapid Redux, who won 19 consecutive races in 2011 as part of a remarkable streak of 22 straight victories. Cot Campbell, widely acknowledged as the founder of the modern-day ownership syndicate model, joined an illustrious group of recipients when he received the Eclipse Award of Merit for his lifetime of achievements in the Thoroughbred industry.

The industry's 2011 legislative activities in Washington, D.C., revolved largely around protecting and promoting

Thoroughbred racing in the context of renewed attempts to secure passage of new legislation that would legalize poker and other forms of 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 any move to open this market to other forms of gaming must positively address the interests of horse racing.

NTRA's marketing and communications efforts expanded in 2011 through a joint initiative with The Jockey Club that led to the hiring of two additional employees to focus on mainstream and social media. The results were immediate with broadened coverage of the sport by a number of mainstream media outlets.

The *Daily Racing Form*/NTRA National Handicapping Championship continued to grow, with a record number of tournaments in 2011 leading to the January 2012 Championship where Baton Rouge, La., political consultant Mike Beychok won \$1 million and an Eclipse Award as Handicapper of the Year. The 2012 NHC final marked the first held at Treasure Island Las Vegas.

The NTRA Safety & Integrity Alliance continued to serve its dual functions as an advocacy and implementation vehicle designed to bring about uniform safety improvements on a national scale. Backed by 55 racetracks, all major horsemen's groups, regulators, the American Association of Equine Practitioners (AAEP) and other industry stakeholder organizations, the NTRA formed the Safety & Integrity Alliance in October 2008.

Through a Code of Standards and an accreditation process, the Alliance implements standards in the following areas:

---

(1) injury reporting and prevention; (2) safety equipment and a safer racing environment; (3) medication and testing; (4) health and safety of jockeys; (5) aftercare and second careers for retired equine athletes; and (6) wagering security. Each year's Code contains new standards and protocols, thereby continuously raising the bar for accreditation, compliance and excellence in racing.

In 2011, the Alliance accredited 2 new tracks and reaccredited 14 tracks bringing the total number of accredited tracks nationwide to 23.

The Alliance also held its second Professional Education (ProEd) seminar. The two-day seminar, which was held at Keeneland and streamed on the Internet to a global audience, 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. The Alliance also joined with NTRA Advantage in 2011 to host the 11th Track Superintendents day. The two-day event was held at Parx (Philadelphia Park) and brought together nearly 50 track maintenance experts to discuss issues relating to racetrack safety and maintenance. NTRA partner John Deere continued its support for Track Superintendents day for an 11th consecutive year.

NTRA Advantage, the industry's joint purchasing arm, continued to provide millions of dollars in savings to industry participants. Advantage renewed its long-standing partnership with John Deere in 2011 and extended its affiliations with member organizations such as American Quarter Horse Association and the United States Equestrian Federation.

With brighter economic prospects on the horizon and continued support from an array of industry participants, we are cautiously optimistic that Thoroughbred racing will continue its rebound in 2012 and beyond. 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

---

## 2011 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**

New Jersey Sports and Exposition Authority  
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

**Pablo Suarez**

Thoroughbred Owners of California

### NTRA CORPORATE OFFICERS

**Robert N. Elliston**

Executive Chairman

**Alexander M. Waldrop**

President and CEO

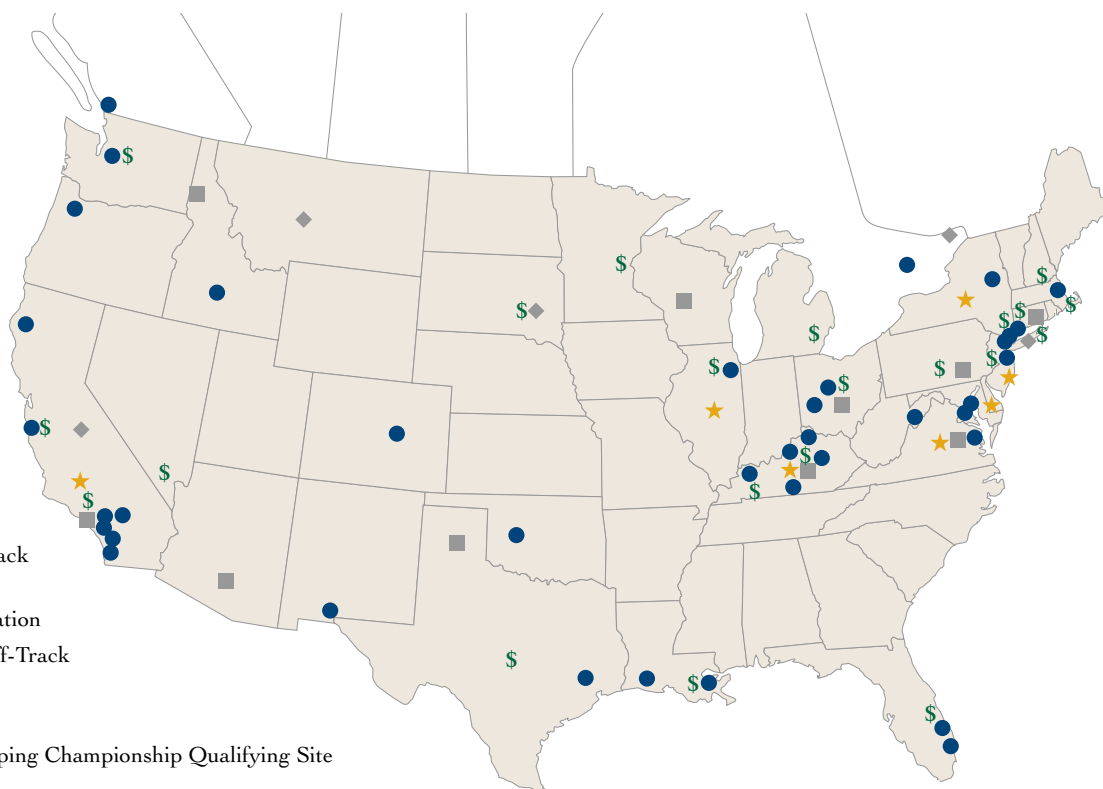
**Robert Watt**

Secretary

**Vicki L. Baumgardner**

Treasurer

# 2011 MEMBER ORGANIZATIONS, ACCREDITED RACETRACKS and AFFILIATES



## Map Key

- NTRA Member Track
- ★ NTRA Member Horsemen's Association
- ◆ NTRA Member Off-Track Betting Association
- NTRA Affiliate
- \$ National Handicapping Championship Qualifying Site

## Founding Members

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

## Horsemen's Associations

Kentucky Thoroughbred Association  
National THA  
• Delaware THA  
• Illinois THA  
• Maryland THA  
• New Jersey THA  
• New York THA  
Thoroughbred Owners of California \$

## Affiliates

American Association of Equine Practitioners  
American Driving Society

American Farriers Association  
American Horse Council  
American Quarter Horse Association  
Appaloosa Horse Club  
*Daily Racing Form*  
Equine Canada  
Farriers & Hoofcare Resource Centers  
Harness Tracks of America  
National Steeplechase Association  
National Walking Horse Association  
Rocky Mountain Horse Association  
Sovereign Stable  
Twinspires.com \$  
United States Equestrian Federation  
United States Polo Association  
United States Rider  
United States Trotting Association  
Xpressbet.com \$

## Members

### CALIFORNIA

Del Mar\* \$  
Fairplex Park \$  
Golden Gate Fields\*  
Hollywood Park\* \$  
Oak Tree Racing Association\*  
Santa Anita Park\*  
Surfside Race Place \$  
Television Games Network \$

### CANADA

Hastings Racecourse \$  
Woodbine Entertainment Group\* \$

### CONNECTICUT

Foxwoods Resort & Casino \$

### FLORIDA

Calder Race Course\*  
Gulfstream Park\* \$  
Isle Casino at Pompano Park \$

### ILLINOIS

Arlington Park\*  
Hawthorne \$

### KENTUCKY

Churchill Downs\* \$  
Ellis Park \$  
Keeneland\* \$  
Kentucky Downs \$  
Turfway Park\* \$

### LOUISIANA

Fair Grounds\* \$  
Harrah's, Louisiana Downs

### MARYLAND

Pimlico Race Course\*

### MASSACHUSETTS

Suffolk Downs\* \$

### MICHIGAN

Northville Downs \$

### MINNESOTA

Canterbury Park\* \$

### NEVADA

Treasure Island \$  
Wynn \$

### NEW JERSEY

Monmouth Park\* \$

### NEW MEXICO

Sunland Park\*

### NEW YORK

Aqueduct\*  
Belmont Park\*  
Finger Lakes\*  
Nassau OTB \$  
Saratoga\*

### OHIO

Beulah Park \$  
Thistledown \$

### OKLAHOMA

Remington Park

### SOUTH DAKOTA

South Dakota OTB

### TEXAS

Lone Star Park \$  
Sam Houston Race Park

### WASHINGTON

Emerald Downs \$

### WEST VIRGINIA

Mountaineer Park

\*Safety and Integrity Alliance Accredited facility

---

## FY 2013 FINANCIAL OVERVIEW

The NTRA's four primary areas of focus are:

**1. Marketing**

- Reaches new and existing fans, horseplayers and industry stakeholders by utilizing a combination of media platforms to promote horse racing.

**2. NTRA Advantage**

- Delivers cost savings on products and services to NTRA members and affiliated members.

**3. Legislative**

- Lobbies for federal legislation on behalf of the Thoroughbred industry and supports congressional educational programs through government relations.

**4. Safety & Integrity Alliance**

- Establishes and secures implementation of safety and integrity standards and practices at the racetrack level through the Alliance Code of Standards and accreditation process.

**Highlights of FY 2013 net income and expenses by program area**

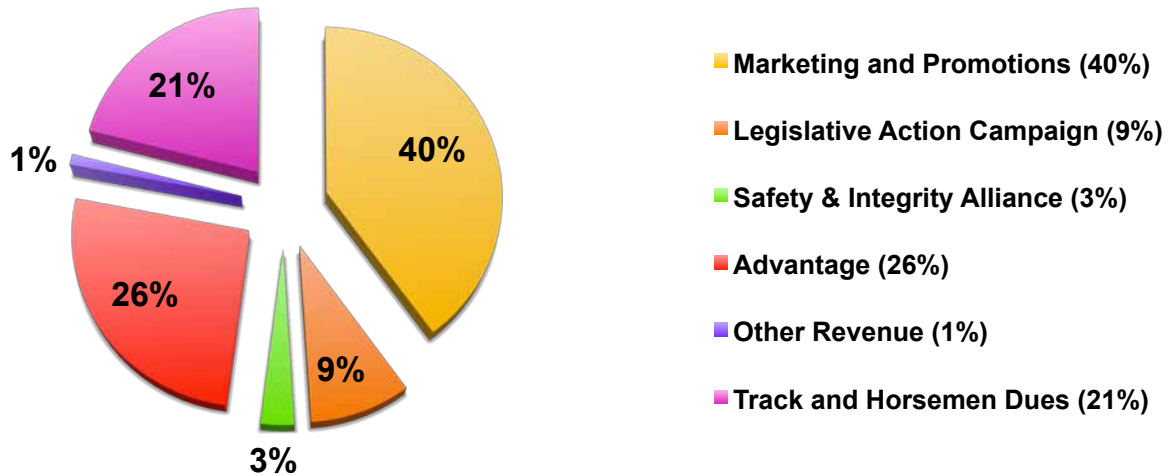
<b>Revenues:</b> Marketing and Promotions	\$3,319,245
Advantage	2,137,500
Track and Horsemen dues	1,737,779
Legislative Action Campaign	721,000
Safety & Integrity Alliance	279,000
Other revenue	<u>23,000</u>
Total revenues	<u><u>\$8,217,524</u></u>
<b>Expenses:</b> Marketing and Promotions	\$3,850,814
Advantage	2,019,394
Legislative	778,324
Safety & Integrity Alliance	340,515
General, administrative and other	<u>1,228,477</u>
Total expenses	<u><u>\$8,217,524</u></u>



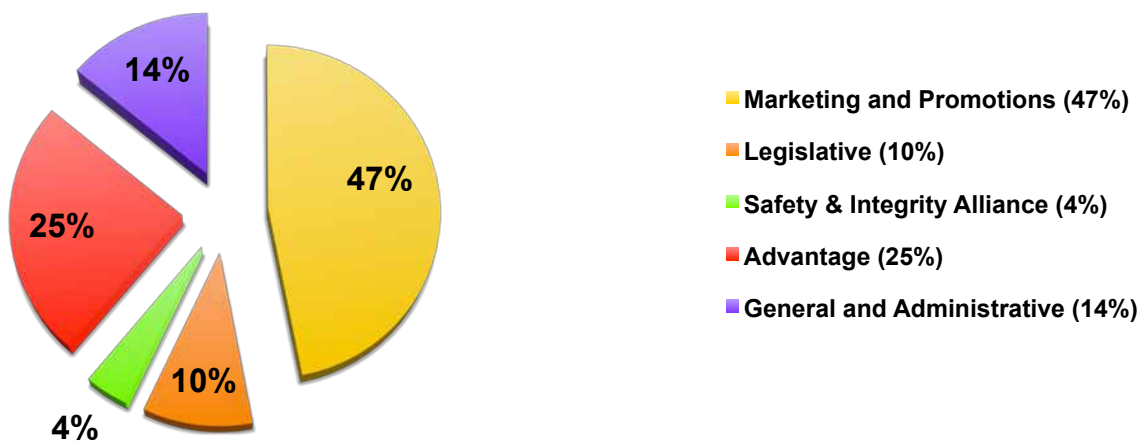
---

## FY 2013 FINANCIAL OVERVIEW

### Sources of Funds - \$8.2 Million



### Uses of Funds - \$8.2 Million



## NTRA SAFETY and INTEGRITY ALLIANCE

**“The health and safety of our human and equine athletes and the integrity of our sport are Thoroughbred racing’s top priorities.”**

*—Mike Ziegler, Executive Director, NTRA Safety & Integrity Alliance*

Backed by 55 racetracks, all major horsemen’s groups, regulators, the American Association of Equine Practitioners (AAEP) and other industry stakeholder organizations, the NTRA formed the Safety & Integrity Alliance in October 2008 to advocate for and implement national standards for racetrack safety and integrity.

Through a Code of Standards and an accreditation process, the Alliance implements standards in the following areas: (1) injury reporting and prevention; (2) safety equipment and a safer racing environment; (3) medication and testing; (4) health and safety of jockeys; (5) aftercare and second careers for retired equine athletes; and (6) wagering security. The Code is updated annually and includes new standards and protocols, thereby continuously

raising the bar for accreditation, compliance and excellence in racing.

The Alliance fosters professional education through an annual seminar, instituted in 2010, which in addition to covering various topics related to human and equine safety also includes an all-day workshop devoted exclusively to programs and services for Thoroughbred racehorses transitioning to non-racing careers.

The Alliance has accredited 23 racetracks in 11 states and one in Canada, representing some 70 percent of the pari-mutuel handle in North America.

Alliance sponsors include Hagyard Pharmacy and Flair® Equine Nasal Strips.



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

“The horse industry’s donations have been bipartisan over the years, which shows that people who know horses are the best oddsmakers, because they’re the ones who hedge their bets.”

– *Louisville Courier-Journal, May 2012*

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

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

The NTRA’s government relations team has secured

passage of legislation to legalize online pari-mutuel wagering under the Interstate Horseracing Act and a Farm Bill provision authorizing accelerated depreciation for young racehorses. Current legislative targets include horseplayer tax equity, immigration and issues relating to Internet gaming.

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



---

## ECLIPSE AWARDS

“This Award of Merit is a blockbuster for me. I am surprised, delighted, and very appreciative that it comes my way. It is the highlight of a career that has been exhilarating, to put it mildly.”

– W. Cothran “Cot” Campbell, recipient of the Eclipse Award of Merit

NTRA honors racing’s champions at the annual Eclipse Awards, presented by *Daily Racing Form*, the Breeders’ Cup and The Stronach Group. 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 18 categories. Additional 2011 honorees included Rapid Redux (Special Award) and Cot Campbell (Eclipse Award of Merit).

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.

HRTV broadcast the 41st anniversary event from the Beverly Wilshire Hotel in Beverly Hills, Calif., where owner Rick Porter accepted the Horse of the Year trophy for his champion racemare Havre de Grace.



Eclipse Award of Merit: W. Cothran “Cot” Campbell.



The connections of Special Eclipse Award winner Rapid Redux.



# Champions of 2011



Horse of the Year & Older Female:  
Havre de Grace



Two-Year-Old Filly: My Miss Aurelia



Two-Year-Old Male: Hansen



Female Turf Horse: Stacelita



Male Turf Horse: Cape Blanco



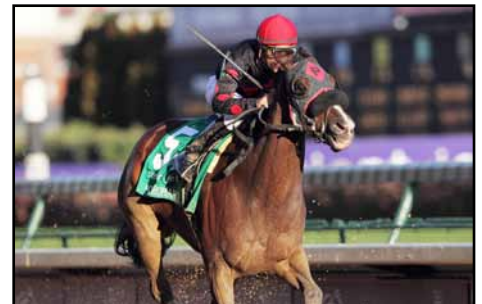
Three-Year-Old Filly: Royal Delta



Three-Year-Old Male: Animal Kingdom



Older Male: Acclamation



Female Sprinter: Musical Romance



Male Sprinter: Amazonbie



Steeplechase Horse: Black Jack Blues



Outstanding Breeder: Adena Springs



Outstanding Owner:  
Ken and Sarah Ramsey



Outstanding Trainer:  
Bill Mott



Outstanding Jockey:  
Ramon Dominguez



Outstanding Apprentice  
Jockey: Kyle Frey



Handicapper of the Year:  
John Doyle



# NATIONAL HANDICAPPING CHAMPIONSHIP

**“I can’t even process the monetary reward yet. The time you put in and the sacrifices your family makes means even more to me than the actual money”**

*– Mike Beychok, Daily Racing Form/NTRA Handicapper of the Year*

After 13 years of continuous growth, the *Daily Racing Form*/NTRA National Handicapping Championship (NHC), presented by Sovereign Stable and Treasure Island Las Vegas, reached another milestone in 2012 when the winner’s share rose to a record \$1,000,000.

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

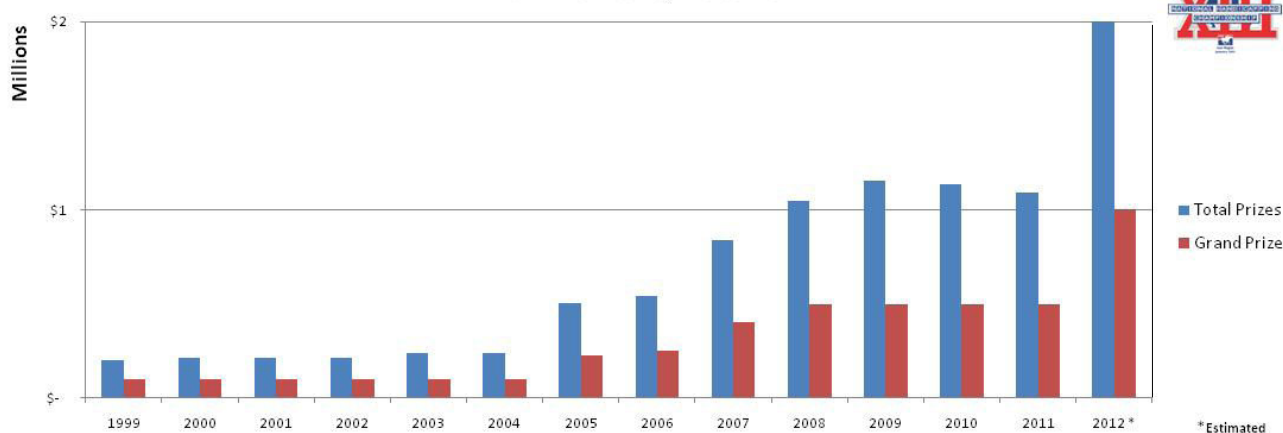
top qualifiers to the national finals to compete for rich prize money and an Eclipse Award as Handicapper of the Year.

More than 100,000 players have participated in local tournaments leading up to the NHC. The January 2013 *Daily Racing Form*/NTRA National Handicapping Championship at Treasure Island Las Vegas will have an expected 500 contestants, led by defending champion Mike Beychok of Baton Rouge, La.



Political consultant Mike Beychok claimed the record winner’s share of \$1,000,000 at the 13th annual *Daily Racing Form*/NTRA National Handicapping Championship.

**NHC Prize Money 1999-2012**



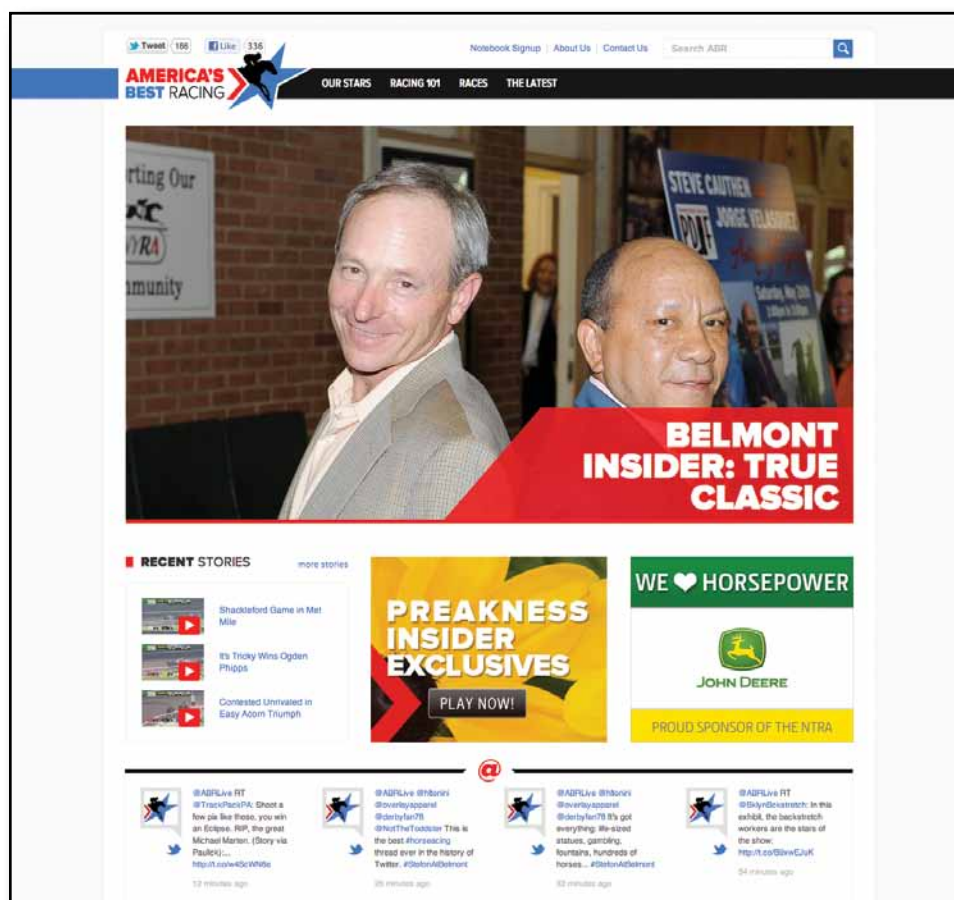
## DIGITAL MEDIA

The addition of a full-time director of digital media and the implementation of strategic initiatives designed to provide greater engagement with fans led to increased levels of usage on NTRA social media platforms in 2011.

NTRA Communications team members spent much of the latter part of 2011 coordinating with The Jockey Club on new fan initiatives leading to the 2012 roll out of a new fan-centric Web site branded America's Best Racing (at [www.followhorseracing.com](http://www.followhorseracing.com)). The site includes behind-the-

scenes access, exclusive videos, interactive functionalities and social media games.

Following its initial launch in early 2012, America's Best Racing will grow and evolve through a series of phased roll-outs as Thoroughbred racing transitions from the Triple Crown season to the Road to the Breeders' Cup. At the same time, NTRA.com will be re-launched in 2012 with a focus on important industry programs that include NTRA Advantage and the Safety and Integrity Alliance.



In conjunction with The Jockey Club, the NTRA re-branded the fan-centric component of NTRA.com as America's Best Racing.

---

## NTRA COMMUNICATIONS

“Chantal Sutherland...the Danica Patrick of horse racing.”

– San Diego Magazine

NTRA Communications employees identify, develop and pitch stories to the mainstream media and engage fans through social media on a national basis.

As part of this outreach, the four-member group hosts weekly teleconferences profiling industry stars and influencers. Staged with the goal of making it as easy as possible for media to cover horse racing, these hour-long sessions attract between 20 and 70 media representatives each week from outlets large and small.

On a daily basis, NTRA Communications handles internal public relations tasks for the NTRA, and it also serves as the media's primary information resource for all

matters pertaining to Thoroughbred racing. As such, it fields and answers approximately 500 general and statistical queries each year from both racing and mainstream media.

NTRA Communications is also playing a vital role in the rebranding of the NTRA.com Web site to its new brand initiative “America's Best Racing” at followhorseracing.com.

The NTRA Top 3-Year Old and Top Thoroughbred Polls are picked up weekly by the Associated Press and appear in newspapers across the country, including USA Today. The polls also are shared and promote discussion on social media platforms.



Jockey Chantal Sutherland was among the sport's headliners in 2011.



Drosselmeyer (left), ridden by Mike Smith, defeated Game On Dude and jockey Chantal Sutherland in the 2011 \$5 million Breeders' Cup Classic.

---

## NTRA CHARITIES

“Gretchen and I hope Barbaro’s memory can be carried on through advances in medical research, including a cure for laminitis.”

– Roy Jackson

Formed in 1999 as a subsidiary of the National Thoroughbred Racing Association (NTRA), NTRA Charities is a non-profit 501(c)(3) public charity whose mission is to promote and support charities in or related to the Thoroughbred industry.

NTRA Charities’ industry partners include the Grayson-Jockey Club Research Foundation, The Jockey Club Foundation, Race for Education, Racetrack Chaplaincy of America, Rerun, Thoroughbred Charities of America, Thoroughbred Retirement Foundation and Tranquility Farm.

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.

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 \$450,000 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.



---

## NTRA ADVANTAGE

**“We’ve been in a partnership with NTRA for nearly 10 years.  
We’re amazed at the sales avenues that have been opened as a result  
of our relationship.”**

*– Al Lewis, National Account Manager, Sherwin-Williams*

NTRA Advantage facilitates the sale of products and services to more than one million eligible horse industry participants at prices well below market rate. Since its inception in 2002, NTRA Advantage has generated more than \$600 million in sales for its nationally branded corporate partners.

NTRA Advantage partners include:

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

Sherwin-Williams – wall and floor covering specialists

OfficeMax – leading provider of office supplies, office furniture and office technology

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

NTRA Advantage covers the United States and Canada with a team of six sales representatives who attend major equine events throughout the year with and for the partners listed above. NTRA Advantage has saved industry members over \$100 million. Purchases by NTRA members through the Advantage program average \$60 million annually.



**OfficeMax**



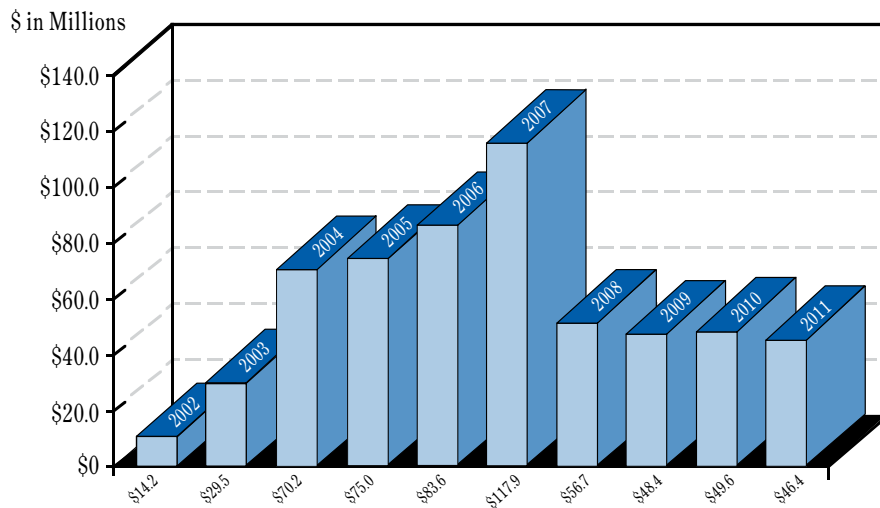
**HAGYARD**  
Pharmacy





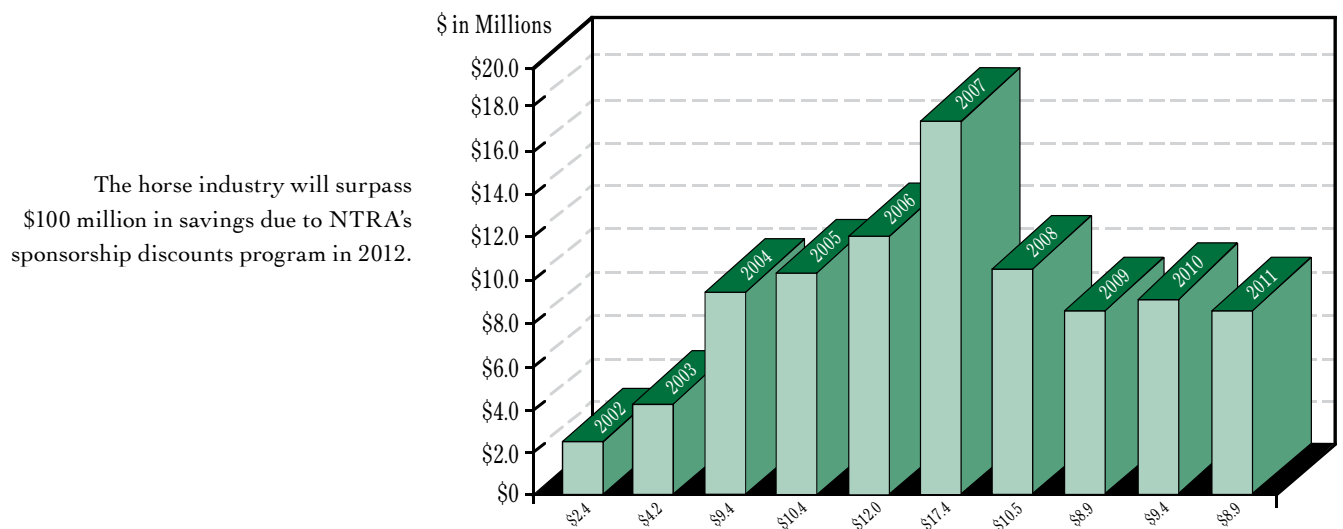
# NTRA ADVANTAGE

## Sales



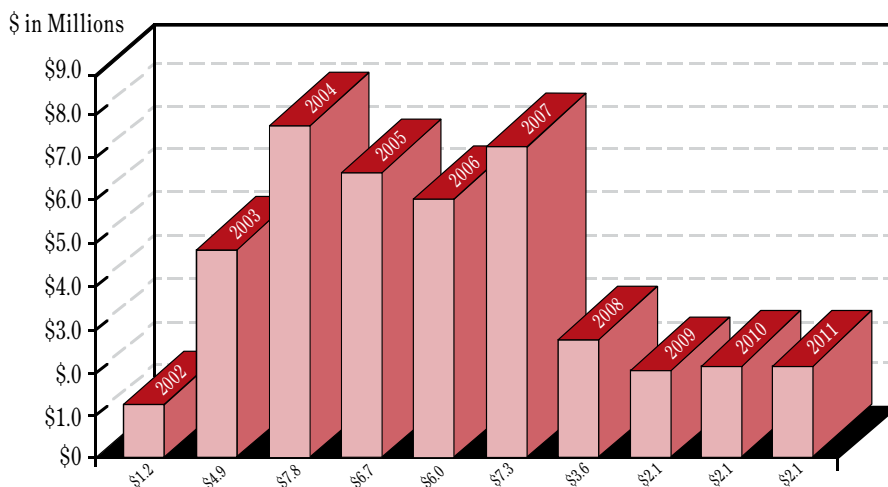
During the first half of 2011, NTRA Advantage saw declines in sales by 23%, while the second half of the year produced a 24% gain in sales.

## Savings to Members



The horse industry will surpass \$100 million in savings due to NTRA's sponsorship discounts program in 2012.

## Revenue to NTRA



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

---

## A FINAL WORD

The strength of the NTRA lies in a diverse membership representing all facets of the horse racing industry.

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

much we can achieve when the industry works together in a cohesive, consensus-driven manner.

The NTRA's mission and goals remain the same as they were in 1998—to strengthen the popularity of the sport and improve the economics for industry participants. With your help and continued support, we will continue to pursue those goals in 2012 and beyond.



---

National Thoroughbred Racing Association, Inc. and Subsidiaries

# CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRTEEN MONTH PERIOD ENDED JANUARY 31, 2012  
AND THE YEAR ENDED DECEMBER 31, 2010

## TABLE of CONTENTS

REPORT of INDEPENDENT AUDITORS .....	20
CONSOLIDATED STATEMENTS of FINANCIAL POSITION	
AS OF JANUARY 31, 2012 AND DECEMBER 31, 2010 .....	21
CONSOLIDATED STATEMENTS of ACTIVITIES and CHANGES in NET ASSETS	
FOR THE THIRTEEN MONTH PERIOD ENDED JANUARY 31, 2012	
AND THE YEAR ENDED DECEMBER 31, 2010 .....	22
CONSOLIDATED STATEMENTS of CASH FLOWS	
FOR THE THIRTEEN MONTH PERIOD ENDED JANUARY 31, 2012	
AND THE YEAR ENDED DECEMBER 31, 2010 .....	23
NOTES to CONSOLIDATED STATEMENTS .....	24

---

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 statements of financial position of National Thoroughbred Racing Association, Inc. and Subsidiaries (the "Association") as of January 31, 2012 and December 31, 2010, and the related consolidated statements of activities and changes in net assets and cash flows for the thirteen-month period ended January 31, 2012 and the twelve-month period ended December 31, 2010. 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 January 31, 2012 and December 31, 2010, and the changes in its net assets and its cash flows for the thirteen-month and twelve-month periods then ended in conformity with accounting principles generally accepted in the United States of America.

Louisville, Kentucky  
June 13, 2012

*STROTHMAN & COMPANY PSC*

**CONSOLIDATED STATEMENTS of FINANCIAL POSITION**

AS OF JANUARY 31, 2012 AND DECEMBER 31, 2010

	<b>JANUARY 31 2012</b>	<b>DECEMBER 31 2010</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 346,657	\$ 839,614
Investments	1,411,842	2,073,185
Accounts receivable, net	1,264,192	1,008,043
Prepaid expenses	276,300	269,449
Other assets	48,994	49,143
Property and equipment, net	98,422	154,820
Total assets	<u>\$ 3,466,407</u>	<u>\$ 4,394,254</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued liabilities	\$ 1,280,713	\$ 841,870
Deferred revenue	411,416	1,208,767
Other long-term liabilities	39,952	30,364
Total liabilities	<u>1,732,081</u>	<u>2,081,001</u>
Net assets		
Unrestricted net assets	<u>1,714,326</u>	<u>2,313,253</u>
Total net assets	<u>1,714,326</u>	<u>2,313,253</u>
Total liabilities and net assets	<u>\$ 3,446,407</u>	<u>\$ 4,394,254</u>

See accompanying notes.



National Thoroughbred Racing Association, Inc. and Subsidiaries

## CONSOLIDATED STATEMENTS of ACTIVITIES and CHANGES in NET ASSETS

FOR THE THIRTEEN MONTH PERIOD ENDED JANUARY 31, 2012 AND THE YEAR ENDED DECEMBER 31, 2010

	JANUARY 31 2012	DECEMBER 31 2010
<b>OPERATING REVENUES</b>		
Marketing and Promotions	\$ 4,261,001	\$ 1,608,125
Membership dues	3,568,106	4,223,101
Advantage	2,318,851	2,138,847
Safety and Integrity Alliance	346,500	170,000
Contributions	61,712	104,259
Other revenues	36,575	57,201
Total operating revenues	10,592,745	8,301,533
<b>OPERATING EXPENSES</b>		
Advertising, marketing and promotions	4,649,948	2,757,310
Advantage	1,325,937	1,344,212
Legislative and regulatory programs	589,292	686,339
Safety and Integrity Alliance	228,456	185,759
Communications	59,534	33,687
Contributions	34,128	119,081
General and administrative	4,355,440	4,121,688
Depreciation and amortization	94,635	124,551
Total operating expenses	11,337,370	9,372,627
Operating revenues under operating expenses	(744,625)	(1,071,094)
<b>NON-OPERATING INCOME</b>		
Interest income	20,698	58,471
Other income	125,000	—
Total non-operating income	145,698	58,471
Revenues under expenses	(589,927)	(1,012,623)
Unrestricted net assets at beginning of year	2,313,253	3,325,876
Unrestricted net assets at end of year	\$ 1,714,326	\$ 2,313,253

See accompanying notes.

**CONSOLIDATED STATEMENTS of CASH FLOWS**

FOR THE THIRTEEN MONTH PERIOD ENDED JANUARY 31, 2012 AND THE YEAR ENDED DECEMBER 31, 2010

	JANUARY 31 2012	DECEMBER 31 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Revenues under expenses	\$ (598,927)	\$ (1,012,623)
Adjustments to reconcile revenues under expenses to net cash used in operating activities:		
Gain on sale of investments	(5,109)	(2,239)
Unrealized (gain) loss on investments	14,672	(24,229)
Depreciation and amortization	94,635	124,551
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable, net	(256,149)	380,082
(Increase) in prepaid expenses	(6,851)	(170,714)
Decrease (increase) in other assets	149	(5,825)
Increase (decrease) in accounts payable and accrued liabilities	438,843	(1,652,545)
(Decrease) increase in deferred revenue	(797,351)	53,579
Increase in other long-term liabilities	9,588	6,131
Net cash used in operating activities	(1,106,500)	(2,303,832)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in investments	651,780	950,735
Purchase of property and equipment	(38,237)	(136,000)
Net cash provided by investing activities	613,543	814,735
Net decrease in cash and cash equivalents	(492,957)	(1,489,097)
Cash and cash equivalents at beginning of year	839,614	2,328,711
Cash and cash equivalents at end of year	\$ 346,657	\$ 839,614
<b>SUPPLEMENTAL DISCLOSURE</b>		
Cash paid for interest	\$ 155	\$ 120

See accompanying notes.

## NOTES to CONSOLIDATED STATEMENTS

FOR THE THIRTEEN MONTH PERIOD ENDED JANUARY 31, 2012  
AND THE YEAR ENDED DECEMBER 31, 2010

### 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 January 31, 2012 and December 31, 2010 were \$130,000 and \$103,000, 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.

#### CHANGE IN YEAR-END

On September 23, 2011, the board of directors approved changing the Associations’ year end from December 31 to January 31. The Association has significant activity in January each year, specifically the National Handicapping Championship and the Eclipse Awards. The change in year-end will allow management to more effectively monitor operations and better match revenues and expenses.

## NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

### RECLASSIFICATIONS

---

Certain amounts in the 2010 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2012 financial statements, such reclassifications had no effect on net income.

### REVENUE RECOGNITION

---

In fiscal years 2012 and 2010, 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 recognized as revenue when earned according to contract terms.

Promotion, sponsorship and NTRA Advantage revenues are earned based upon the satisfaction of contractual terms. All cash received in the thirteen-month period ending January 31, 2012 and the twelve-month period ending December 31, 2010 related to events occurring in fiscal years 2013 and 2012, 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 \$51,000 and \$449,000 as of January 31, 2012 and December 31, 2010, 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 \$95,000 and \$125,000 as of January 31, 2012 and December 31, 2010, respectively.

### ACCOUNTING FOR UNCERTAIN TAX PROVISIONS

---

Accounting standards prescribe a comprehensive model for how an entity should measure, recognize, present, and disclose in its financial statements uncertain tax positions that the Association has taken or expects to take on a tax return. The Association recognizes the tax benefits from uncertain tax positions 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

National Thoroughbred Racing Association, Inc. and Subsidiaries

## NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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 2011. 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 thirteen-month and twelve-month periods ended January 31, 2012 and December 31, 2010, 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.

### USE OF ESTIMATES

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

### SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 13, 2012, the date the consolidated financial statements were available to be issued.

### CONCENTRATIONS OF RISK

The Association's cash and investment accounts used in operations are maintained at a financial institution. Non-interest bearing cash deposits are fully insured by the Federal Deposit Insurance Corporation ("FDIC"). The Association also has cash equivalent and investment accounts covered by the Securities Investor Protection

Corporation ("SIPC") up to \$500,000. At January 31, 2012 and December 31, 2010, the Association had cash equivalents and investments in excess of the SIPC coverage of approximately \$900,000 and \$2.2 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 1)
<b>January 31, 2012</b>		
Mutual Funds	\$ 30,433	\$ 30,433
Corporate Bonds	478,664	478,664
U. S. Treasury Bonds	526,592	526,592
Agency Bonds	376,153	376,153
	<u>\$ 1,411,842</u>	<u>\$ 1,411,842</u>
<b>December 31, 2010</b>		
Corporate Bonds	\$ 910,345	\$ 910,345
U. S. Treasury Bonds	760,402	760,402
Agency Bonds	402,438	402,438
	<u>\$ 2,073,185</u>	<u>\$ 2,073,185</u>

The fair value measurement accounting literature 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, Level 2 inputs consist of observable inputs and other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Association uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Association measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.



**NOTES to CONSOLIDATED STATEMENTS**

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

Level 1 *Fair Value Measurements*—The fair value of corporate bonds 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:

	January 31, 2012	December 31, 2010
Computer software and equipment	\$ 1,139,814	\$ 1,139,814
Furniture and fixtures	158,542	161,541
Leasehold improvements	11,200	56,688
Other equipment	239,612	241,325
	1,549,168	1,794,149
Less: accumulated depreciation and amortization	(1,450,746)	(1,639,329)
	\$ 98,422	\$ 154,820

**V.] DEBT****LINES OF CREDIT**

NTRA has a line of credit with a bank for amounts available up to \$250,000. It bears the prime rate of interest not to decrease below a fixed minimum rate of 4.25%, and expires November 21, 2012. This agreement requires a balance of \$750,000 in unrestricted net assets be maintained. NTRA was in compliance with this requirement. As of January 31, 2012 and December 31, 2010, the NTRA had no outstanding borrowings.

**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. Proxy taxes of \$0 and \$100,602 were due for the thirteen-month period and twelve-month periods ended January 31, 2012 and December 31, 2010 respectively. Additionally, for-profit

subsidiaries of NTRA are subject to tax on taxable income, if any. NTRA has generated net tax operating loss carry forwards of \$16,927,750 and \$16,972,612 (expiring from 2022 through 2030) for 2012 and 2012, respectively, available to offset future taxable income, if any. This results in a deferred tax asset which is fully offset by an allowance since management cannot predict when, if ever, such an asset would be realized.

**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 \$320,000 and \$315,000 for the the thirteen-month and twelve-month periods ended January 31, 2012 and December 31, 2010, respectively.

Approximate future minimum lease payments under existing non cancellable operating lease agreements as of January 31, 2012 are as follows:

2012	\$ 272,000
2013	44,000
Total	\$ 316,000

**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

---

National Thoroughbred Racing Association, Inc. and Subsidiaries

## NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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 \$13,795 for the thirteen-month period ended January 31, 2012 and \$18,800 for the twelve-month period ended December 31, 2010.

### IX.] RETIREMENT PLANS

---

The National Thoroughbred Racing Association 401(k) Safe Harbor Retirement plan ("Retirement Plan") covers all full-time employees over the age of 21 upon three months of service. Benefits vest immediately, as is customary, for Safe Harbor plans. The NTRA may contribute a discretionary amount of a covered employee's salary. No discretionary amount was paid for the thirteen-month and twelve-month periods ended January 31, 2012 and December 31, 2010. Additionally, NTRA's contribution amounted to three percent of an employee's salary. The Retirement Plan's contribution expense approximated \$76,091 for the thirteen-month period ended January 31, 2012 and \$67,307 for the twelve-month period ended December 31, 2010.

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 for both the thirteen-month period ended January 31, 2012 and the twelve month period ended December 31, 2010.

---

## 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;



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; and

**Thoroughbred  
Aftercare Alliance**

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





**Kentucky Office**

2525 Harrodsburg Road, Suite 510, Lexington, Kentucky 40504

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

**New York Office**

40 E 52nd St # 15th Floor, New York, NY 10022-5911

**Phone:** (212) 371-5970 **Fax:** (212) 371-6123

**(800) 792-NTRA**

**E-mail:** [ntra@ntra.com](mailto:ntra@ntra.com) **Internet:** [www.NTRA.com](http://www.NTRA.com)