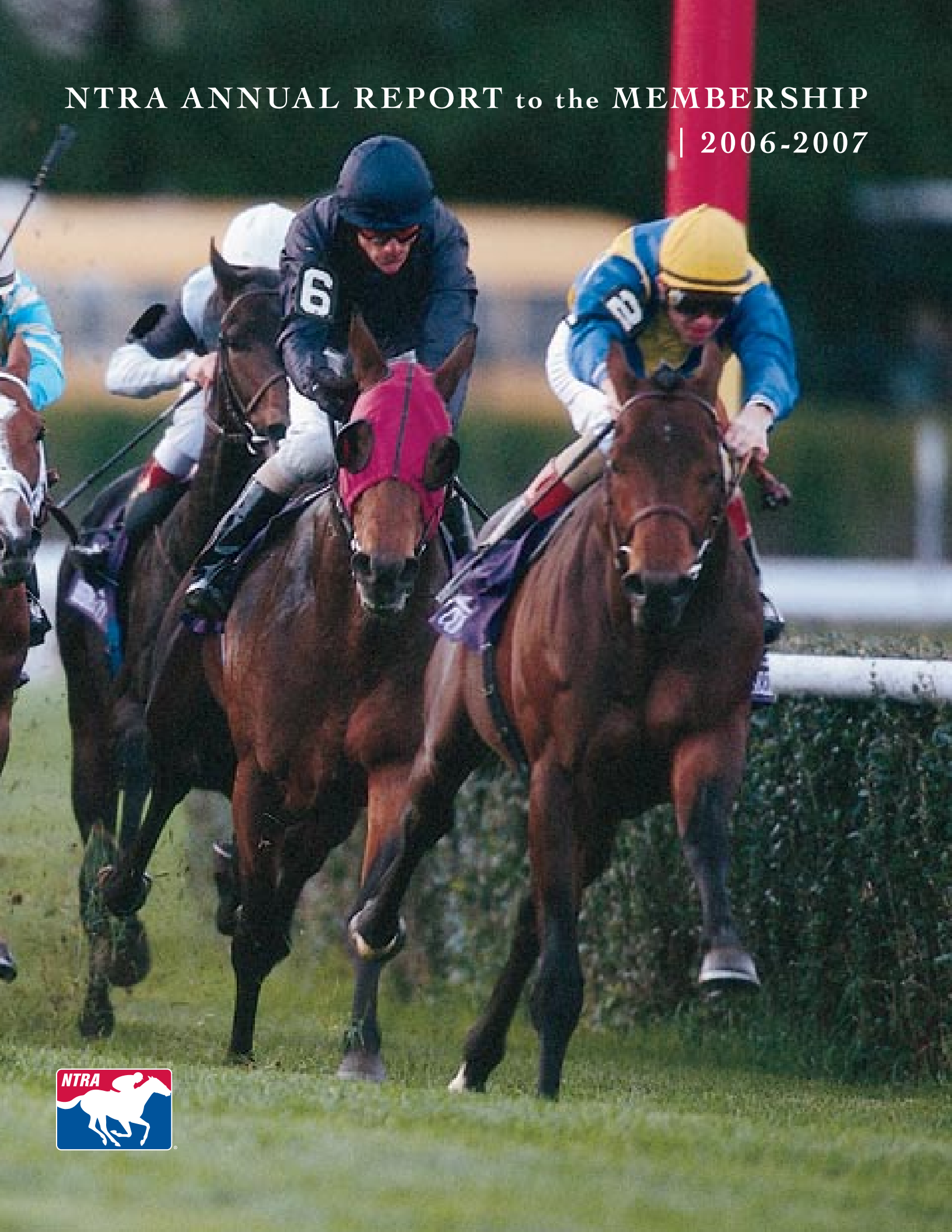
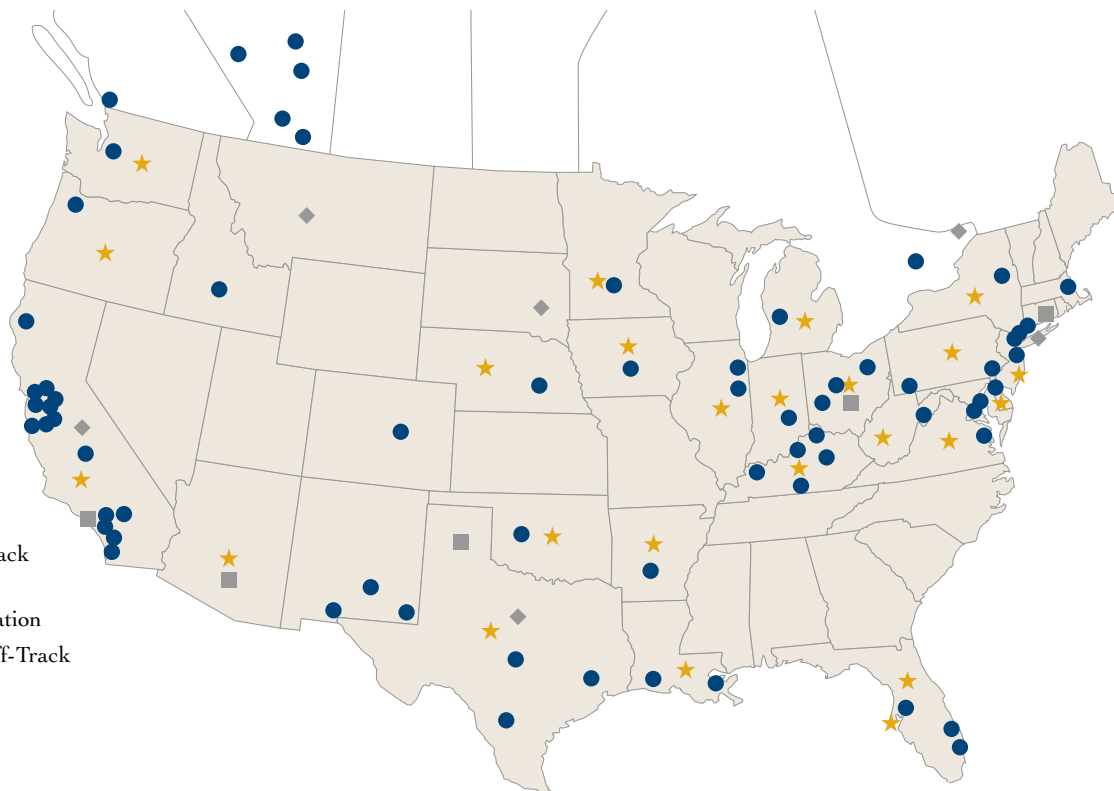


NTRA ANNUAL REPORT to the MEMBERSHIP
| 2006-2007



NTRA MEMBER ASSOCIATIONS



Map Key

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

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 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
• Texas Horsemen's Partnership LLP
• Virginia HBPA
• Washington HBPA
National THA
• Delaware THA
• Illinois THA
• Maryland THA
• New Jersey THA
• New York THA
Thoroughbred Owners of California

Off-Track Betting Organizations

Connecticut OTB
Montana Simulcast Partners
Royal River Racing

Affiliates

American Quarter Horse Association
Equine Canada
American Association of Equine Practitioners
American Farriers Association
Harness Tracks of America
National Steeplechase Association

United States Equestrian Federation
United States Polo Association
United States Trotting Association
Television Games Network

Racetracks

ARKANSAS
Oaklawn Park

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

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

Stamper Park
Woodbine Entertainment Group

COLORADO
Arapahoe Park

DELAWARE
Delaware Park

FLORIDA
Calder Race Course
Gulfstream Park
Tampa Bay Downs

IDAHO
Les Bois Park

ILLINOIS
Arlington Park

INDIANA
Hoosier Park

IOWA
Prairie Meadows

KENTUCKY
Churchill Downs
Ellis Park
Keeneland
Kentucky Downs
Turfway Park

LOUISIANA
Fair Grounds
Harrah's, Louisiana Downs

MARYLAND
Laurel
Pimlico

MASSACHUSETTS
Suffolk Park

MICHIGAN
Great Lakes Downs

MINNESOTA
Canterbury Park

NEBRASKA
Horsemen's Park

NEW JERSEY
Meadowlands
Monmouth Park

NEW MEXICO
Ruidoso Downs
Sunland Park
Zia Park

NEW YORK
Aqueduct
Belmont Park
Saratoga

OHIO
Beulah Park
Thistledown

OKLAHOMA
Remington Park

OREGON
Portland Meadows

PENNSYLVANIA
The Meadows
Philadelphia Park

PUERTO RICO
Hipodromo Camarero

TEXAS
Lone Star Park

VIRGINIA
Colonial Downs

WASHINGTON
Emerald Downs

WEST VIRGINIA
Mountaineer Park

WYOMING
Wyoming Downs

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MESSAGE from the NTRA PRESIDENT and CEO



This annual report includes audited financial statements for calendar year 2006 and reviews the NTRA's core priorities for 2007. From a financial standpoint, 2006 was a very good year for the NTRA thanks in good measure to the hard work of my predecessors, Greg Avioli and D.G. Van Clief, Jr.

Since joining the NTRA in January 2007, I've had the good fortune of visiting with many members and industry stakeholders. My takeaway from those meetings is that our constituents perceive the industry to be at or near an important crossroad.

That perception is borne of reality. Our industry, having made significant progress in some areas, remains challenged in others. There are positive barometers, like record purses and sales at public auctions.

On the other hand, growth of pari-mutuel handle – other than advance deposit wagering – is stagnant. While states like Florida and Pennsylvania have benefited from the addition of Racinos, other important breeding and racing markets continue to be threatened by the long shadow cast by expanded gaming and entertainment options. In many respects, our industry remains more fragmented and divided than our competition, which ironically we far too often view as being each other.

In reviewing the 10-year history of the NTRA, there are a number of examples of the progress our industry can make when we work together, speaking and acting with one voice to achieve common goals. Over the next 12 months, the NTRA will seek to focus its resources on those areas that can positively benefit all segments of the membership: legislative affairs in Washington, D.C., public relations and publicity through NTRA Communications, integrity, crisis management, group purchasing, marketing, sponsorship and television. We also will seek to establish new long-term priorities as we set a goal for growth and industry prosperity for all NTRA stakeholders.

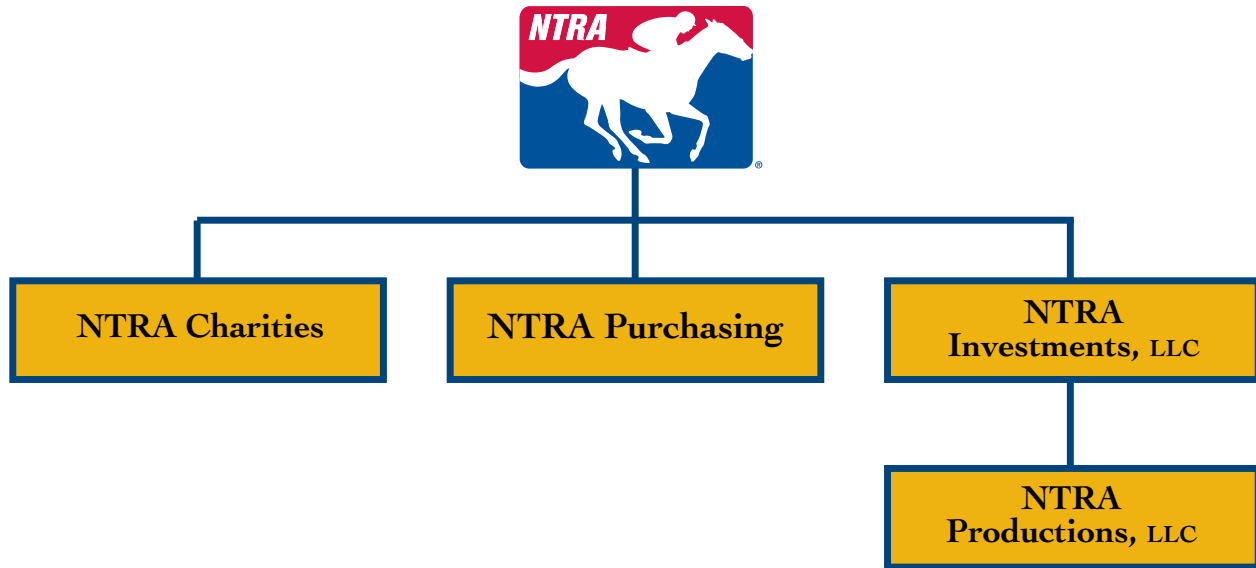
My personal pledge to you is that we will face the future in a collaborative and transparent manner. The strength of the NTRA and the industry is its diverse membership and fan base, and we look forward to hearing thoughts and suggestions from both over the course of the next year.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Waldrop". The signature is fluid and cursive, written in a professional style.

Alexander M. Waldrop
President and CEO

ORGANIZATION STRUCTURE



NTRA Charities, Inc.

Builds awareness of Thoroughbred racing's civic and community activities through Public Service Announcements and local programs.

NTRA Investments, LLC

Makes strategic acquisitions to benefit NTRA members.

NTRA Productions, LLC

Produces horse racing programming, maintains the world's largest archive of racing footage and holds all NTRA programming contracts.

NTRA Purchasing, LLC

Delivers cost reductions and efficiencies to NTRA members and associated member organizations through group purchasing. Affiliated programs include AQHA Members Plus, Equine Canada Members First, US Polo Plus, USEF Member Perks and USTA/HTA Member Benefits.

BOARD of DIRECTORS

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

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

TRACK REPRESENTATIVES

Independent Seats

Robert Elliston (Turfway Park)
Midwestern Region

Bob Green (Philadelphia Park/Greenwood Racing)
Eastern Region

F. Jack Liebau, Sr. (Bay Meadows/Hollywood Park)
Western Region

Racetrack Company Seats

Robert Evans
Churchill Downs Incorporated

Charles Hayward
New York Racing Association

Jim McAlpine
Magna Entertainment Corporation

Nick Nicholson
Keeneland

OWNER, BREEDER, HORSEMEN REPRESENTATIVES

Robert Clay
Breeders' Cup Limited

Alan Foreman
Thoroughbred Horsemen's Association

William Heiligbrodt
Thoroughbred Owners and Breeders Association

Owner, breeder, 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.

G. Watts Humphrey, Jr.
Breeders' Cup Limited

Alan Marzelli
The Jockey Club

Marsha Naify
Thoroughbred Owners of California

Joseph Santanna
Horsemen's Benevolent & Protective Association

NTRA BOARD COMMITTEES

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

AUDIT and COMPENSATION COMMITTEE

Joseph Santanna, Chair
Alan Foreman
G. Watts Humphrey, Jr.
Alan Marzelli
Jim McAlpine

NTRA CORPORATE OFFICERS

Executive Chairman Robert N. Elliston
President & CEO Alexander M. Waldrop
Secretary Robert Watt
Treasurer Alan Marzelli

LEGISLATIVE

As the trade association for the Thoroughbred industry, NTRA focuses its lobbying efforts on legislation having direct and material effect on its members and their business activities as they relate to race horse racing, breeding and pari-mutuel wagering.

In conjunction with the American Horse Council, the NTRA also supports Congressional education programs on general issues – such as agricultural matters and immigration – that affect a broad spectrum of horse owners, breeders and industry personnel.

In 2006, the NTRA's lobbying efforts centered on safeguarding the industry's ability to continue to conduct online pari-mutuel wagering on horse racing as authorized by the Interstate Horseracing Act (IHA). The Association achieved passage of the Internet Gambling Prohibition and Enforcement Act – with specific protections for account and Internet wagering on pari-mutuel horse racing – after a seven-year effort that began in 2000 with a tactical amendment of the IHA to authorize Internet wagering for horse racing.

The NTRA activated a Federal Political Action Committee (PAC) in 2002 to promote and facilitate the accumulation of voluntary contributions from members of the NTRA and its subsidiaries and affiliates, for the support of political parties and candidates for elective office in the United States. The Committee, known as Horse PAC, is dedicated to the support of candidates who have taken responsible positions on issues involving the Thoroughbred racing industry.

Horse PAC funds are separate from the NTRA's operational budget and are excluded from the financial statements presented herein.

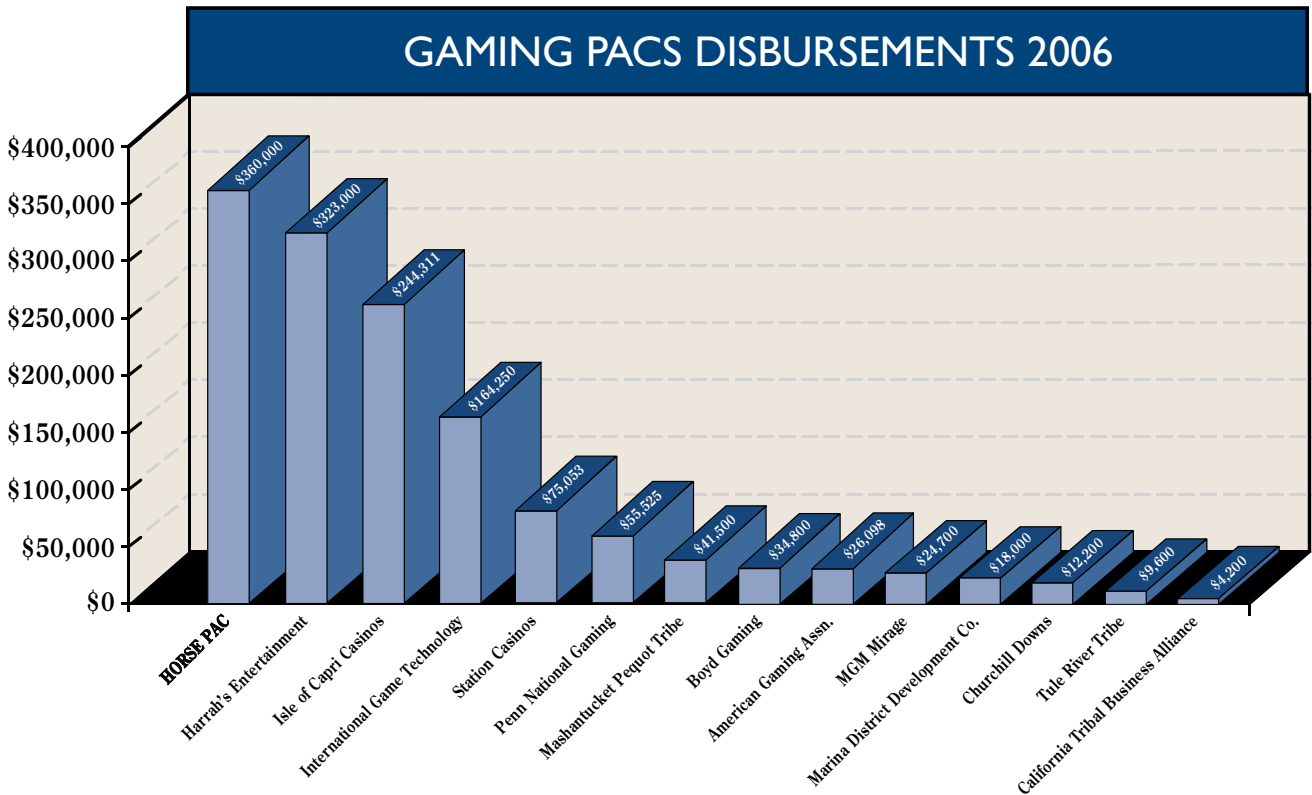
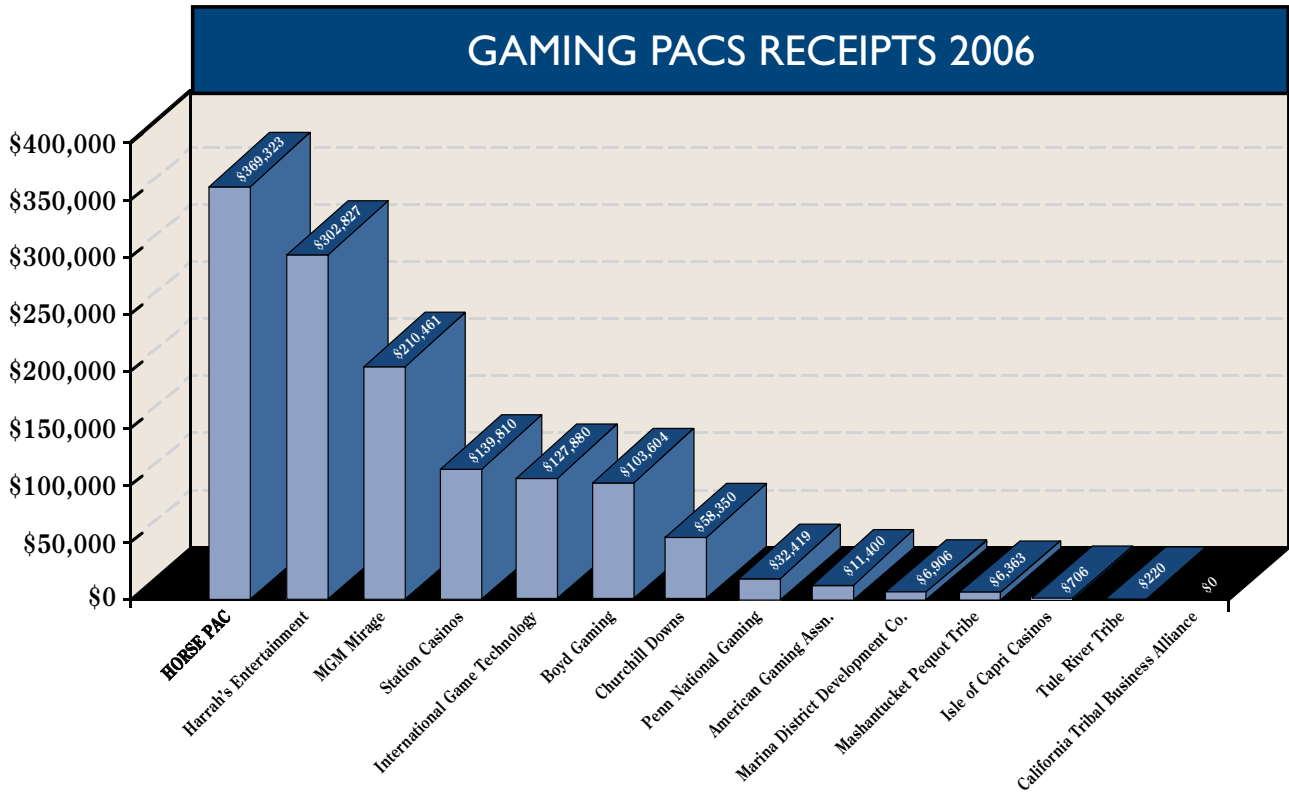
HORSE PAC BOARD OF DIRECTORS

William S. Farish, Jr., Chairman

Margaret Hendershot, President & Treasurer

- Antony Beck
- Case Clay
- Laura A. D'Angelo
- Tracy Farmer
- Robert Elliston
- Terrence P. Finley
- Lucy Young Hamilton
- John C. Harris
- F. Jack Liebau, Jr.
- Wilhelmina McEwan
- Terence J. Meyocks
- Anne W. Poulson
- Joseph V. Shields, Jr.

The NTRA's federal political action committee, Horse PAC, continues as the largest PAC in the gaming industry as measured by receipts and disbursements.



PUBLIC RELATIONS and INDUSTRY PROGRAMS

NTRA works with its member associations on a broad range of public relations and industry initiatives to address issues of national importance to the horse racing industry, including equine drug testing, animal welfare and integrity matters.

The Association supports the Racing Medication and Testing Consortium providing oversight for racing's \$30 million equine drug testing program and promoting a national medication policy in pari-mutuel racing states. In 2006, the Racing Medication and Testing Consortium announced a steroid testing initiative that is endorsed by NTRA and numerous other industry groups.

As a member of the American Horse Council (AHC), NTRA participates in several committees relating to racehorse health and safety. The Association is also a member of the Unwanted Horse Coalition, whose mission is to reduce the number of unwanted horses in the United States and to improve their welfare through education and the efforts of organizations committed to the health, safety, and responsible care of horses.

NTRA supports racing integrity programs including the Wagering Transmission Protocol (WTP). When implemented, the WTP will: affirm the integrity of the pari-mutuel wager; positively identify entities accessing the pari-mutuel system; reduce instances of late changing odds; facilitate international/domestic wagering between international/domestic wager pools; support real time security monitoring; and aid development of new wagering systems and product offerings.

The NTRA is active on the WTP Standards Committee and is a member of the WTP Ownership/Governance group, which governs development and protocol use. The WTP Ownership/Governance group additionally includes Churchill Downs Incorporated, Magna Entertainment Corp., New Jersey Sports and Exposition Authority, New York Racing Association, The Jockey Club, Thoroughbred Racing Associations of North America, Inc. and Woodbine Entertainment Group.

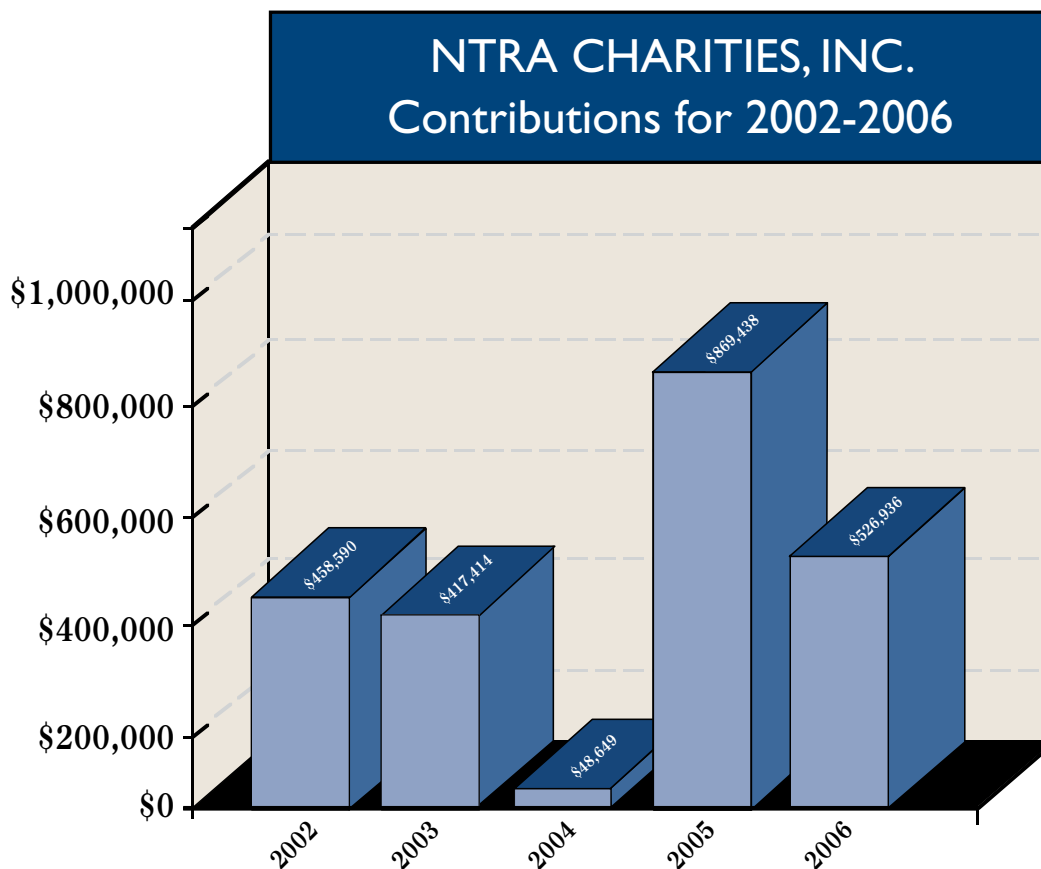
CHARITABLE PROGRAMS

Through its subsidiary, NTRA Charities, NTRA works with industry charities as well as its national affiliate, Ronald McDonald House Charities, to improve the communities that are home to Thoroughbred racing and to ensure the health and safety of the sport's human and equine athletes.

The association produces public service announcements to build awareness of Thoroughbred racing's civic and community activities and facilitates fundraising for special projects of national importance to the racing industry.

NTRA Charities currently supports the Permanently Disabled Jockeys Fund aiding nearly 60 former riders, as well as the Barbaro Memorial Fund for equine health and safety research. Named for the 2006 Kentucky Derby winner, the Fund will support efforts to find a cure for Laminitis – the disease that claimed Barbaro's life.

With marketing partner *Daily Racing Form*, NTRA and NTRA Charities support the University of Kentucky Joe Hirsch Scholarship Fund, providing scholarships to UK students wishing to pursue a career in writing in the Thoroughbred industry.



NTRA Horse PAC Chairman Bill Farish tees off at the annual NTRA Charities/Kentucky Derby Museum Golf Classic at Valhalla. The tournament benefits industry charities as well as Ronald McDonald House Charities.



NTRA Charities Special Projects 2006/2007

Permanently Disabled Jockeys Fund

- For permanently disabled riders
- \$700,000 raised to date

Barbaro Memorial Fund

- For equine health and safety research
- \$275,000 raised to date

SPONSORSHIP and GROUP PURCHASING

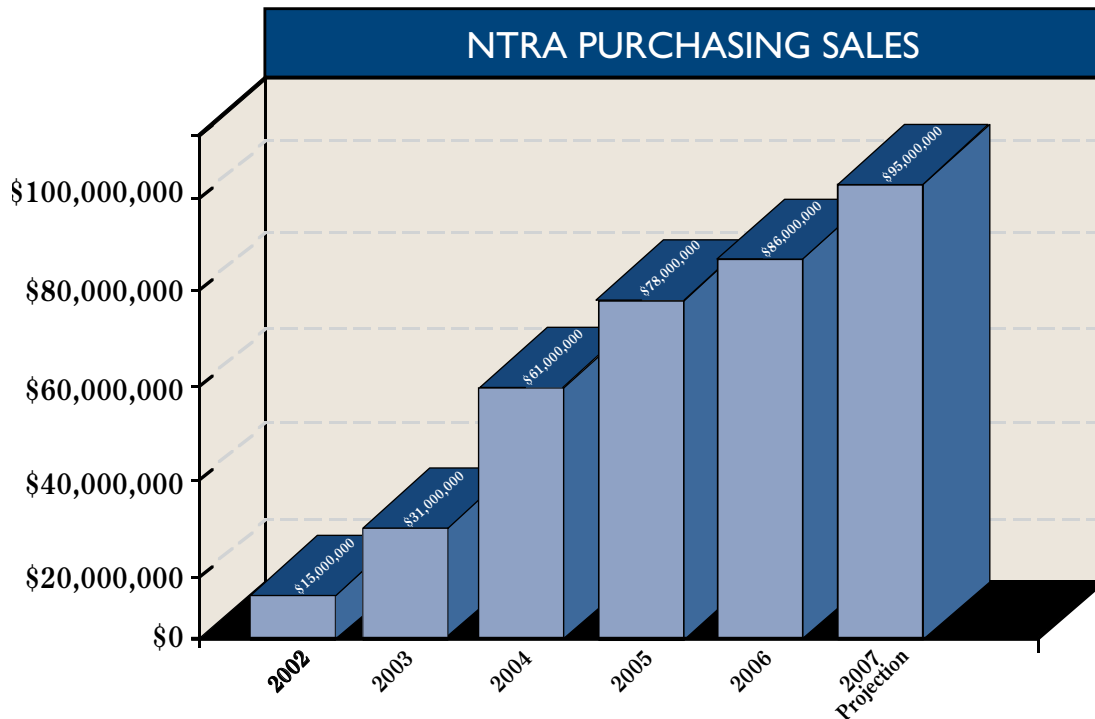
In cooperation with Breeders' Cup Limited and NTRA member racetracks, NTRA offers its marketing partners promotional exposure and hospitality at the country's premier racing venues and events, including the Triple Crown and the Breeders' Cup World Championships.

NTRA marketing partners also receive regional sales support from NTRA Purchasing, which facilitates direct product sales to NTRA members in local markets.

Business-to-business sales comprise a growing segment of the NTRA Purchasing program, led by sales of John Deere products and services to NTRA member racetracks, farms and training centers.

Overall sales of marketing partner products continue to grow, reaching \$86 million in 2006 – the fifth consecutive year of record sales. Marketing partners Dodge, John Deere, UPS, Sherwin-Williams and OfficeMax all realized record sales in 2006 within the NTRA Purchasing program.

In just five years, NTRA Purchasing has delivered cost savings of \$47 million to NTRA racetracks, members and affiliated organizations representing other equestrian disciplines and breeds, including American Quarter Horse Association, United States Trotting Association, Harness Tracks of America, United States Polo Association, United States Equestrian Federation and Equine Canada.



MARKETING, MEDIA and PROMOTIONS

NTRA leverages its relationships with numerous media outlets to market horse racing and the racetrack experience. NTRA Communications and NTRA's media partner ESPN jointly promote horse racing on ESPN television and radio, ESPN.com, wireless devices, *ESPN The Magazine* and other content-delivery services to bring horse racing to a worldwide audience of sports fans.

In coordination with marketing partner Equibase Company LLC, NTRA Communications disseminates racing information and statistics, including milestone victories for jockeys and trainers, industry records and racehorse past performance data, creating new media exposure for horse racing.

NTRA promotes the Breeders' Cup World Championships, the richest event in North American horse racing with purses totaling \$23 million in 2007.

NTRA also markets the Triple Crown, other key races and the Breeders' Cup Challenge, 25 automatic qualifying races for the Championships that begins in 2007 with the Champions Mile at Hong Kong's Sha Tin Race Course. The Challenge and the Championships air on ESPN.



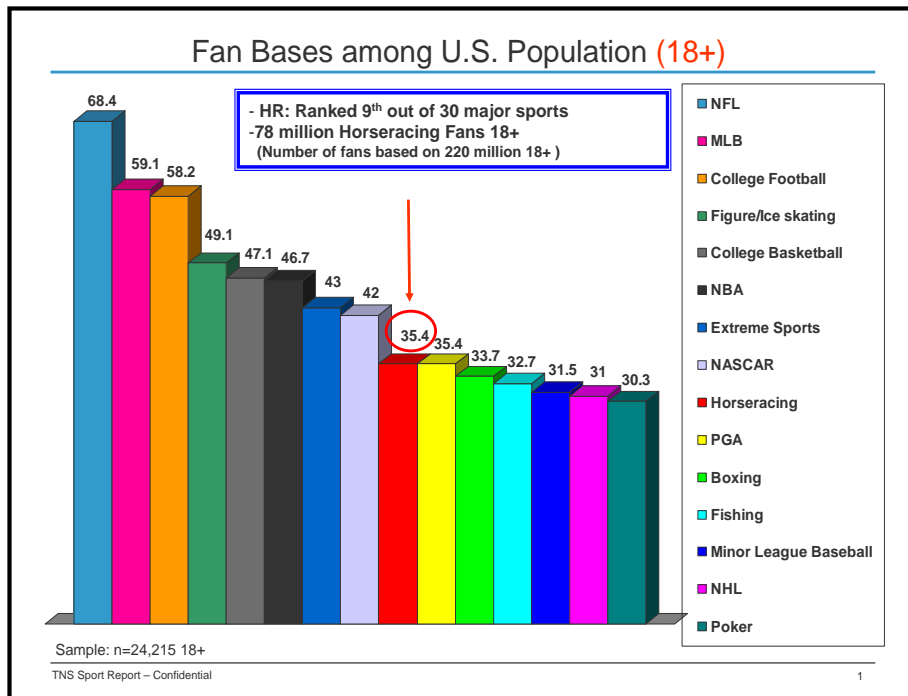
With co-sponsor *Daily Racing Form*, NTRA promotes its most passionate fans, horse racing's handicappers. The *Daily Racing Form*/NTRA National Handicapping Championship annually attracts more than 100,000 players nationwide, who compete for a berth in the finals through local and Internet playoffs. Event host sites may offer bonuses of up to \$1 million to any player winning the Championship.

CONSUMER RESEARCH

The TNS Sport/ESPN Sports Poll conducts 2,000 monthly interviews on the NTRA's behalf to track fan interest in horse racing, attitudes toward racing, consumer demographics and the buying habits of horse racing fans.

More than 200,000 interviews have been archived.

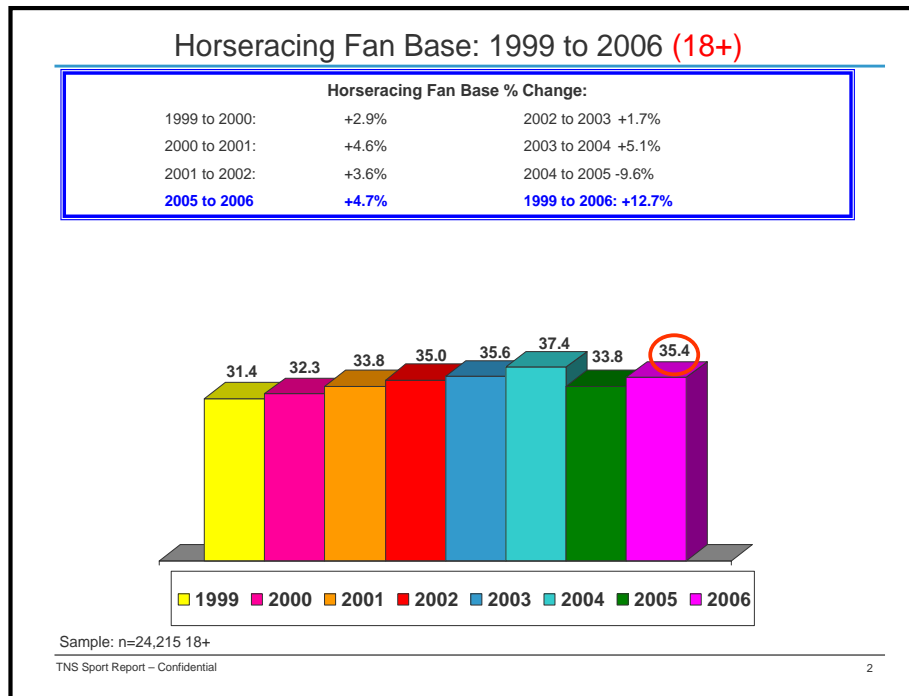
ESPN Sports Poll presents its data each year. The findings are the basis for custom consumer profiles – covering fan demographics ranging from favorite television network to lifestyle activities – created for NTRA marketing, television and racetrack partners.



According to Sports Poll data, horse racing currently ranks ninth out of 30 major sports, with an estimated fan base of 78 million Americans.

Horse racing is fourth among 30 sports properties or leagues when measured in terms of fan base growth, increasing by 12.7 percent from 1999 to 2006 and exceeding growth rates for the National Football

League, Major League Baseball, the National Basketball Association, NASCAR, the National Hockey League and other major sports.



Horseracing Fan Base Growth Compared to Major Leagues (18+)

League:	2001	2002	2003	2004	2005	2006	% Change 2001 to 2002	% Change 2002 to 2003	% Change 2003 to 2004	% Change 2004 to 2005	% Change 2005 to 2006	% Change 1999 to 2006
NFL	65.8	66.1	66.2	67.5	67.8	68.4	0.5%	0.2%	2.0%	0.4%	0.9%	3.2%
MLB	59.4	58.7	58.7	60.1	59.7	59.1	-1.2%	0.0%	2.4%	-0.7%	-1.0%	-3.3%
NBA	48.8	48.1	48.3	48.3	47.2	46.7	-1.4%	0.4%	0.0%	-2.3%	-1.1%	-3.5%
NHL	34.0	34.0	34.1	32.7	28.0	31.0	0.0%	0.3%	-4.1%	-14.4%	10.7%	-10.7%
College Football	54.7	54.9	55.8	56.1	56.2	58.2	0.4%	1.6%	0.5%	0.2%	3.6%	7.8%
College Basketball	46.0	44.9	45.6	46.3	46.4	47.1	-2.4%	1.6%	1.5%	0.2%	1.5%	1.7%
NASCAR	44.9	44.7	43.2	43.4	43.3	42.0	-0.4%	-3.4%	0.5%	-0.2%	-3.0%	5.5%
Horseracing	33.8	35.0	35.6	37.4	33.8	35.4	3.6%	1.7%	5.1%	-9.6%	4.7%	12.7%

Sample: n=24,215 18+
TNS Sport Report – Confidential 3

TELEVISION

NTRA brings horse racing competition to millions of fans around the globe through its partnership with ESPN, the world leader in sports.

NTRA programming consists of multiple live, top-quality races packaged into two series: NTRA Racing to the Kentucky Derby and NTRA Summer Racing – Powered by Dodge. Each series includes in-show sponsor elements, with additional cross-promotional support through ESPN's media platforms.

NTRA Summer Racing – Powered by Dodge features seven shows including races from domestic racetracks Hollywood Park, Delaware Park, Del Mar, Saratoga Racecourse and Mountaineer Park as well as The Curragh in Ireland. The series' highlight, The Travers Stakes from Saratoga, airs in a special two-hour segment.

The screenshot displays the NTRA.com website layout. At the top, there is a navigation bar with links for HOME, WATCH, RACING, NTRA.COM, MEMBERSHIP, and CONTACT. A search bar is also present. The main content area features a large video player for the 'Derby's 1-2 Draw Outside For Preakness' with a play button and a 'TOP STORIES' section below it. To the right, there is a 'Featured Races' section listing various races with their respective tracks and times. Below the video player, there are sections for 'Headline News' with a list of articles, 'NTRA.com Features and Blogs' with featured articles and author photos, and 'What's New At NTRA' with promotional banners for various events and fundraisers.

For greater convenience, fans can follow horse racing via weekly Webisodes of “Stretch Drive,” a video news and feature resource at NTRA.com, where they can add television listings for horse racing to their desktop calendars with a simple click. Fans can also access podcasts featuring race replays, professional handicapper’s picks and analysis, weekly NTRA teleconferences and more from NTRA.com.

A FINAL WORD

As the trade association and convening authority for the Thoroughbred industry, the NTRA will continue to take a strong leadership role for the sport of horseracing.

Integrity, legislation, renewed focus on core industry issues and national marketing remain our priorities as we carry out our mission of promoting the sport of Thoroughbred racing and improving the economics of our industry.

Your contributions help ensure that the NTRA remains strong and ready to meet the challenges our industry faces. We thank you for your support and as always, welcome your comments and suggestions.



National Thoroughbred Racing Association, Inc. and Subsidiaries

**CONSOLIDATED FINANCIAL STATEMENTS and
OTHER FINANCIAL INFORMATION**

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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National Thoroughbred Racing Association, Inc. and Subsidiaries
REPORT of INDEPENDENT AUDITORS

AUDIT RESULTS

DRAFT REPORT OF INDEPENDENT AUDITORS

Report of Independent Auditors

The Board of Directors
National Thoroughbred Racing Association, Inc.

We have audited the accompanying consolidated statements of financial position of National Thoroughbred Racing Association, Inc. and Subsidiaries (the Association) as of December 31, 2006 and 2005, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Association's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of National Thoroughbred Racing Association, Inc. and Subsidiaries as of December 31, 2006 and 2005, and the consolidated results of their activities, their changes in net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

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

May 9, 2007

CONSOLIDATED STATEMENTS of FINANCIAL POSITION

AS OF DECEMBER 31, 2006 AND 2005 [WITH CONSOLIDATING DETAILS IN 2006]

	NTRA, INC.	NTRA INVESTMENTS, LLC	INTERCOMPANY ELIMINATIONS	2006 CONSOLIDATED	2005 CONSOLIDATED
ASSETS					
Cash and cash equivalents	\$ 11,575,300	\$ 797,292		\$ 12,372,592	\$ 7,143,550
Funds held for others	4,358,964			4,358,964	3,056,463
Accounts receivable, net	6,850,107	1,109,013	\$ (8,717)	7,950,403	8,327,551
Receivable from Breeders' Cup Limited					1,369,484
Prepaid expenses	222,241	16,340		238,581	244,262
Other assets	470,305			470,305	546,209
Property and equipment, net	574,181			574,181	902,538
Investment in subsidiaries	1,000,000		(1,000,000)		
Intangible assets, net		6,472,168		6,472,168	9,684,150
Total assets	\$25,051,098	\$ 8,394,813	\$ (1,008,717)	\$ 32,437,194	\$ 31,274,207
LIABILITIES AND NET ASSETS					
Accounts payable and accrued liabilities	\$6,269,134	\$ 301,083	\$ (8,717)	\$ 6,561,500	\$ 6,021,381
Funds held for others	4,358,964			4,358,964	3,056,463
Payable to Breeders' Cup Limited	2,321,566			2,321,566	
Deferred revenue	362,597	12,580		375,177	445,251
Current portion of long-term debt		2,000,000		2,000,000	6,750,000
Long-term debt		5,560,312		5,560,312	7,250,000
Other long-term liabilities	452,530			452,530	579,408
Total liabilities	13,764,791	7,873,975	(8,717)	21,630,049	24,102,503
Minority interest		25,000	(25,000)		
Net assets					
Preferred membership interest		1,000,000	(1,000,000)		
Undesignated net assets	11,286,307	(504,162)	25,000	10,807,145	7,171,704
Total net assets (deficit)	11,286,307	495,838	(975,000)	10,807,145	7,171,704
Total liabilities and net assets	\$25,051,098	\$ 8,394,813	\$ (1,008,717)	\$ 32,437,194	\$ 31,274,207

See accompanying notes.

CONSOLIDATED STATEMENTS of ACTIVITIES and CHANGES in NET ASSETS

AS OF DECEMBER 31, 2006 AND 2005 [WITH CONSOLIDATING DETAILS IN 2006]

	NTRA, INC.	NTRA INVESTMENTS, LLC	INTERCOMPANY ELIMINATIONS	2006 CONSOLIDATED	2005 CONSOLIDATED
OPERATING REVENUES					
Revenues from Breeders' Cup Limited	\$41,386,159			\$ 41,386,159	\$ 37,369,740
Membership dues	10,330,544			10,330,544	17,308,278
Television, sponsorship, purchasing and promotions	14,921,988	\$ 12,247,949	\$ (5,369,366)	21,800,571	22,021,021
Contributions	492,550			492,550	822,251
Other revenues	133,209			133,209	144,374
Total operating revenues	67,264,450	12,247,949	(5,369,366)	74,143,033	77,665,664
OPERATING EXPENSES					
Television	8,336,583	10,346,142	(5,367,866)	13,314,859	13,193,971
Sponsorship and purchasing	8,280,729			8,280,729	8,115,275
Advertising, marketing and promotions	10,287,993		(1,500)	10,286,493	18,110,650
Purses and awards	27,940,390			27,940,390	22,355,127
Legislative and regulatory programs	1,391,352			1,391,352	1,858,528
Office of Racing Integrity	28,531			28,531	263,275
Contributions	573,103			573,103	822,251
General and administrative	6,399,662	2,709		6,402,371	5,080,684
Depreciation and amortization	371,978	3,211,982		3,583,960	3,671,430
Total operating expenses	63,610,321	13,560,833	(5,369,366)	71,801,788	73,471,191
Excess of operating revenues over operating expenses	3,654,129	(1,312,884)		2,341,245	4,194,473
NON-OPERATING INCOME (EXPENSE)					
Interest income (expense)	616,642	(267,705)		348,937	(297,101)
Other income	945,259			945,259	250,789
Total non-operating income (expense)	1,561,901	(267,705)		1,294,196	(46,312)
Excess of revenues over (under) expenses	5,216,030	(1,580,589)		3,635,441	4,148,161

Continued next page.

National Thoroughbred Racing Association, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS of ACTIVITIES and CHANGES in NET ASSETS

AS OF DECEMBER 31, 2006 AND 2005 [WITH CONSOLIDATING DETAILS IN 2006]

Continued from previous page.

	NTRA, INC.	NTRA INVESTMENTS, LLC	INTERCOMPANY ELIMINATIONS	2006 CONSOLIDATED	2005 CONSOLIDATED
OTHER CHANGES					
Transfer of net assets	(4,000,000)	4,000,000			
Change in undesignated net assets (deficit)	1,216,030	2,419,411		3,635,441	4,148,161
Undesignated net assets at beginning of year; including preferred membership interest	10,070,277	(1,923,573)	(975,000)	7,171,704	3,023,543
Total net assets (deficit) at end of year	\$ 11,286,307	\$ 495,838	\$ (975,000)	\$ 10,807,145	\$ 7,171,704

National Thoroughbred Racing Association, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS of CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 3,635,441	\$ 4,148,161
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Loss on disposal of assets	34,962	624
Depreciation and amortization	3,583,960	3,671,430
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable, net	377,148	(2,522,009)
Decrease (increase) in receivable from Breeders' Cup Limited	1,369,484	(410,314)
Decrease in prepaid expenses	5,681	671,633
Decrease (increase) in other assets	69,201	(55,526)
Increase (decrease) in accounts payable and accrued liabilities	540,119	(1,021,671)
Increase in payable to Breeders' Cup Limited	2,321,566	
(Decrease) in deferred revenue	(70,074)	(50,916)
(Decrease) in other long-term liabilities	(126,878)	66,670
Net cash provided by operating activities	11,740,610	4,498,082
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(71,880)	(312,133)
Net cash used in investing activities	(71,880)	(312,133)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt	(6,439,688)	(2,162,500)
Net cash used in financing activities	(6,439,688)	(2,162,500)
Net increase in cash and cash equivalents	5,229,042	2,023,449
Cash and cash equivalents at beginning of year	7,143,550	5,120,101
Cash and cash equivalents at end of year	\$ 12,372,592	\$ 7,143,550
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	\$ 280,097	\$ 614,105

See accompanying notes.

NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

I.] NATURE of BUSINESS and ORGANIZATION

The National Thoroughbred Racing Association, Inc. (the “NTRA” or “NTRA, Inc.”), is a not-for-profit membership organization incorporated in December 1997. The purpose of the NTRA is to strengthen the Thoroughbred racing industry by increasing public awareness, creating a centralized national structure, implementing comprehensive marketing strategies and enhancing the industry’s economic condition by achieving significant revenue increases and cost reductions for its membership. NTRA, Inc., as reported on the consolidated statements of financial position and the consolidated statements of activities and changes in net assets, includes NTRA, Inc. and its wholly owned subsidiaries, NTRA Charities, Inc. (“NTRA Charities”) and NTRA Purchasing (previously EquiSource, LLC). NTRA Charities is a not-for-profit, tax-exempt charitable organization whose purpose is to broaden the Thoroughbred industry’s scope of community outreach through a national affiliation with Ronald McDonald House Charities and to promote and support existing charities in, and related to, the Thoroughbred industry. NTRA Purchasing, created in January 2002, is a for-profit, limited liability company whose purpose is to deliver cost savings and value-added services to NTRA members through contracts with major national suppliers.

NTRA Investments, LLC (“NTRA Investments”), as reported on the consolidated statements of financial position and the consolidated statements of activities and changes in net assets, is a for-profit, limited liability company of which NTRA has a 75 percent ownership interest. The remaining 25 percent interest is owned collectively by The Jockey Club, Inc., Breeders’ Cup Properties, LLC (an affiliate of the NTRA), Keeneland Association and Oak Tree Charitable Foundation (collectively the “Minority Partners”). NTRA Investments includes a wholly owned subsidiary, NTRA Productions, LLC (“NTRA Productions”). NTRA Productions offers television production services and controls the world’s largest archive of horse racing video as well as numerous programming contracts.

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

MEMBERSHIP and MANAGEMENT SERVICES AGREEMENT with BREEDERS’ CUP LIMITED

In October 2000, the NTRA entered into an agreement (the “Agreement”) with Breeders’ Cup Limited (“BCL”) under which, effective January 1, 2001 and for the ten-year period ending December 31, 2010, the NTRA performs certain Membership and Management Services, defined as the performance of normal day-to-day business operations of BCL. In exchange for such services, BCL provides NTRA with a Membership and Management Services Fee. This fee is equal to all BCL operating revenues, excluding investment income, dividends and interest income; license fee income to be paid by NTRA; net income from Breeders’ Cup Properties; less general and administrative expenses and other expenses necessary to operate Breeders’ Cup Limited.

In connection with this Agreement and the required services, BCL provides a non-transferable, non-exclusive, royalty-free license for NTRA to utilize various intellectual property, including copyrights, patents, trademarks, logos, customer information and other information. BCL retains full ownership of its property and the rights associated with it.

On December 1, 2005, BCL and NTRA amended the Agreement whereby termination by BCL may occur annually after December 31, 2005 by giving written notice to NTRA no later than September 30 of each year to be effective December 31 of the subject year. On August 25, 2006, BCL provided written notice to NTRA for termination of this Agreement effective December 31, 2006. This termination will result in a reduction of revenues and expenses in future years due to the elimination of the Membership and Management Services fee (recorded in revenues from Breeders’ Cup Limited) and various expenses related to the operations of Breeders’ Cup.

NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Additionally, effective January 1, 2006, BCL and NTRA agreed to modify the Agreement whereby actual revenues for Breeders' Cup Limited in excess of budget revert back to BCL. In the event that BCL revenues fall short of budgeted revenues, NTRA would reduce its operational expenses related to the Breeders' Cup in an effort to make up the shortfall; however, BCL would transfer net assets to NTRA in the amount of any revenue shortfall that could not be recovered through expense reduction. For 2006, actual revenues related directly to the activities of BCL exceeded budgeted revenues by \$4,572,523. This amount is offset against receivable from Breeders' Cup Limited of \$2,250,957 (related to the Membership and Management Services fee), resulting in a net payable to Breeders' Cup Limited for the year ended December 31, 2006 in the amount of \$2,321,566.

At its discretion, BCL may provide NTRA with an annual allocation in support of NTRA programs and operations for a specific year. This allocation, if applicable, will be payable on or before December 31 of each year. BCL did not commit an allocation for the year ended December 31, 2006. The allocation was \$2,250,000 for the year ended December 31, 2005. The 2005 allocation was included in revenues from BCL in the consolidated statements of activities and changes in net assets.

In April 2007, NTRA and BCL agreed in principle to the terms of an Affiliation Agreement in which the two companies will continue to share various resources such as personnel, office space and administrative expenses for the two years beginning January 1, 2007 and ending December 31, 2008. The agreement also sets forth the methods for fulfilling sponsorship contracts under which both companies are contractually obligated. BCL will pay membership dues to NTRA in an amount of \$800,000 in 2007. Membership dues for 2008 shall be subject to further definition of the future structure and membership of NTRA.

II.] SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES of CONSOLIDATION

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

OPERATING REVENUES and EXPENSES

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

RECLASSIFICATIONS

Certain reclassifications have been made to the 2005 consolidated financial statements to conform to the 2006 presentation.

RISKS and UNCERTAINTIES

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

REVENUE RECOGNITION

The Association derives a significant portion of its revenue from the Membership and Management Services Fee provided by BCL. Other primary sources of revenue in both 2006 and 2005 are membership dues along with fees associated with television, sponsorship, purchasing and promotions.

NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Racetrack members and horsemen's association dues are recognized in the year to which the membership relates. Dues 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.

Television, sponsorship, purchasing and promotion revenues are earned based upon the satisfaction of contractual terms. All cash received in 2006 and 2005 related to events occurring in 2007 and 2006, respectively, is appropriately recorded in deferred revenue on the consolidated statements of financial position.

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

CASH and CASH EQUIVALENTS

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

FUNDS HELD for OTHERS

Funds held for others represent cash held on behalf of other organizations that may be paid to those organizations in the near term. The amounts of \$4,358,964 and \$3,056,463 as of December 31, 2006 and 2005, respectively, are recorded as both current assets and current liabilities in the consolidated statements of financial position.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded net of an allowance for doubtful accounts of approximately \$1,058,000 and \$545,000 as of December 31, 2006 and 2005, respec-

tively. Changes in the allowance are reflected against membership dues on the consolidated statements of activities and changes in net assets. For 2006, 16 percent of gross accounts receivable is outstanding from a single member. This receivable was collected in full in 2007. No other concentrations of credit risk existed at December 31, 2006 or 2005.

ADVERTISING and PREPAID EXPENSES

The Association expenses print advertising costs as incurred and media advertising costs the first time the advertising takes place. As of December 31, 2006, the Association had included approximately \$23,000 in prepaid expenses on the consolidated statements of financial position relating to amounts paid for production costs in advance of media advertising being aired. There were no such prepaid expenses in 2005.

INTANGIBLE ASSETS

The Association accounts for finite-lived intangible assets at the lower of the amortized cost or estimated realizable value. Amortization is provided using the straight-line method over the useful life of the assets. As part of an ongoing review of the valuation and amortization of the intangible assets of the Association, management assesses the carrying value of its intangible assets if facts and circumstances suggest that there may be impairment. If this review indicates that the intangible assets may not be recoverable, the Association would perform a non-discounted cash flow analysis of the operating results pertaining to such intangible assets. If the estimated undiscounted cash flows were less than the asset carrying value, the value of the intangible assets would be reduced to their estimated realizable value, which would be estimated by discounting the previously estimated cash flows. There is no impairment recorded against intangible assets in 2006 and 2005.

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

NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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 \$365,000 and \$302,000 in 2006 and 2005, respectively.

COOPERATIVE ADVERTISING PROGRAM

Racetracks and off-track betting organizations are eligible to participate in the Association's cooperative advertising program. Under this program, each member is entitled to be reimbursed a portion of membership dues paid to the NTRA for costs incurred by the member to run NTRA-produced print, radio, television and outdoor advertising in its local market. Included in accounts payable and accrued liabilities at December 31, 2005 was approximately \$951,000 relating to this program. In 2006, this program was eliminated.

III.] PROPERTY and EQUIPMENT

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

	2006	2005
Computer equipment	\$ 1,037,594	\$ 1,435,260
Furniture and fixtures	151,493	263,551
Leasehold improvements	119,205	235,910
Other equipment	197,540	170,947
	<u>1,505,832</u>	<u>2,105,668</u>
Less: accumulated depreciation and amortization	(931,651)	(1,203,130)
	<u>\$ 547,181</u>	<u>\$ 902,538</u>

IV.] INTANGIBLE ASSETS

Finite-lived intangible assets consist primarily of the purchased assets of Winner Communications, Inc., now called, and henceforth referred to as Winnercomm, Inc. ("Winnercomm"), including broadcast rights, a racing video library and intellectual property rights.

The total contracted purchase price for the assets of Winnercomm was \$27,500,000, subject to adjustments as defined in the Purchase Agreement. Payments were made each year from the date of acquisition in 1999 to 2004, in accordance with the Purchase Agreement. Final payment of \$3,000,000 was made in 2004.

These intangible assets are amortized using the straight-line method over the remaining estimated useful life, which currently expires on December 31, 2008 at the conclusion of the Services Agreement between NTRA Productions and Winnercomm (the "Services Agreement"). Under this agreement, Winnercomm provides production and programming services for NTRA Productions' horse racing programming and is responsible for generating advertising and sponsorship revenue in connection with the programming.

Under the Services Agreement, NTRA Productions paid management fees of approximately \$2,024,000 and \$1,960,000 for the years ended December 31, 2006 and 2005, respectively. For the period January 1, 2007 through December 31, 2008, the management fee is calculated as the excess of operating revenues over operating expenses for NTRA Productions. It is expected that this will be approximately \$1,400,000 in 2007.

Effective January 1, 2002, NTRA obtained 100 percent of the equity interest in EquiSource, LLC, currently referred to as NTRA Purchasing. Final payment in the amount of \$162,500 was made in 2005 as full settlement of the purchase price. Total purchase consideration was allocated to non-compete agreements, included in intangible assets, net, on the consolidated statements of financial position. The asset was amortized using the straight-line method over the four-year term of the non-compete agreements, which concluded on December 31, 2005.

NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

	2006	2005
Broadcast rights and film archives	\$ 26,230,316	\$ 26,230,316
Less: accumulated amortization	(19,758,148)	(16,546,166)
	<u>\$ 6,472,168</u>	<u>\$ 9,684,150</u>

Amortization expense is approximately \$3,212,000 and \$3,369,000 for the years ended December 31, 2006 and 2005, respectively.

V.] LONG-TERM DEBT

NTRA has a revolving line of credit with a bank for an amount up to \$2,000,000 with interest of 0.25 percent below the prime rate payable monthly and a maturity date of June 30, 2007. As of December 31, 2006 and 2005, the NTRA had no outstanding borrowings under the line of credit, with the exception of a letter of credit for approximately \$82,000 used to secure the lease of office space in New York. Interest expense on the line of credit was not significant in 2006 and 2005.

The NTRA holds letters of credit from financial institutions to secure its leases of office space in Lexington, Kentucky and New York, New York. The letter of credit used to secure office space in New York, in an amount of \$82,000, is deducted from the available balance on the line of credit as discussed above. The letter of credit used to secure office space in Lexington is for an amount of approximately \$555,000.

To fund the purchase of the assets of Winnercomm and the establishment of NTRA Productions, NTRA Investments entered into a term loan agreement (the "Loan") on July 7, 1999 with the Minority Partners (see "Nature of Business and Organization"). The loan has a balance of \$7,560,312 and \$14,000,000 as of December 31, 2006 and 2005, respectively. This includes \$2,362,598 and \$4,375,000 as of December 31, 2006 and 2005, respectively, loaned by an NTRA affiliate

(see "Related Parties"). Effective January 1, 2004 the interest rate was fixed at four percent until maturity on September 30, 2006. On June 30, 2006 the terms of the loan were revised such that no interest will be charged through maturity; the term is extended to February 29, 2012; and payments are expected to be approximately \$2,000,000 in 2007, \$1,500,000 in 2008 and \$1,250,000 from 2009 through 2011. These expected future payments are derived from half the revenue received by NTRA from ODS Technologies, L.P. ("TVG"). This revenue received by NTRA from TVG is assigned to the Minority Partners, who have a first priority security interest until such time as the loan balance is fully settled. The loan is non-recourse to NTRA; therefore, with the exception of providing to the Minority Partners half the revenue received from TVG, NTRA is not responsible for any additional payments to the Minority Partners. The wagering activities of TVG could be affected by the recent establishment of a competitive organization, TrackNet Media, a joint venture of Churchill Downs, Inc. and Magna Entertainment Corp., and the termination of multi-year contracts between TVG and various racetracks providing Thoroughbred racing television content.

Interest expense on the Loan (including amounts due to an NTRA affiliate) is approximately \$280,000 and \$613,000 in 2006 and 2005, respectively. The assets of NTRA Investments, including NTRA Productions, secure the Loan.

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.

NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

VII.] COMMITMENTS and CONTINGENCIES

Rent expense, which includes rent for office space, storage and various equipment in Lexington, Kentucky and New York, New York, amounted to approximately \$902,000 and \$835,000 for the years ended December 31, 2006 and 2005, respectively.

Future minimum lease payments under existing lease agreements as of December 31, 2006 are as follows:

2007	835,937
2008	461,272
2009	289,715
2010	44,225
Total	<u>\$ 1,631,149</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.

Certain transactions are conducted from time to time between the Association and BCL. The Membership and Management Services Fee provided by BCL to NTRA totaled approximately \$41,000,000 and \$37,000,000 in 2006 and 2005, respectively. The Agreement between the Association and BCL has been revised (see "Membership and Management Services Agree-

ment with Breeders' Cup Limited"). As of December 31, 2006 and 2005, long-term debt includes \$2,363,000 and \$4,375,000, respectively, loaned by Breeders' Cup Properties, Inc., a wholly owned subsidiary of BCL, to NTRA Investments. Interest expense for 2006 and 2005 includes approximately \$87,500 and \$192,000, respectively, related to this indebtedness. There is no related interest payable in 2006 or 2005.

IX.] BARTER TRANSACTIONS

The Association has agreements with certain national and industry sponsors that provide mutual non-cash benefits to both parties under barter transactions. The benefits received by the Association from sponsors are recorded as revenue at the fair market value when received. The use of these benefits is recorded as expense at the time of use. For the years ended December 31, 2006 and 2005, the Association recognized revenue and related advertising expense from these sponsors of approximately \$231,000 and \$171,000, respectively.

X.] RETIREMENT PLANS

The National Thoroughbred Racing Association 401(k) Retirement Plan ("Retirement Plan") covers all full-time employees over the age of 21 upon three months of service. Benefits vest over a period of two to five years. The NTRA contributes an amount equal to four percent of a covered employee's salary. In addition, NTRA matches amounts contributed by covered employees. Matching contributions amount to 100 percent of the first three percent of employee contributions. The Retirement Plan's contribution expense approximated \$357,000 and \$392,000 for the years ended December 31, 2006 and 2005, respectively.

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

NOTES to CONSOLIDATED STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

tion expense approximated \$16,000 and \$35,000 for the years ended December 31, 2006 and 2005, respectively.

XI.] OFFICERS' COMPENSATION

The NTRA Corporate Officers consist of the Commissioner, Secretary and Treasurer in 2005. During 2006, both the Treasurer and the Commissioner retired; an interim CEO assumed the duties of Commissioner.

The annual compensation of the NTRA Corporate Officers, as defined above, includes a base salary, annual incentive compensation and long term incentive compensation. Additionally, the officers are included in the NTRA's employee fringe benefits programs. The aggregate annual compensation of the Corporate

Officers included in operating expenses on the statements of activities and changes in net assets for the years ended December 31, 2006 and 2005 is \$1,751,233 and \$1,804,387, respectively. Compensation that has been expensed but not paid due to uncompleted years of employment by each of the respective officers, is reported as other current liabilities on the statements of financial position, as well as in the aggregate compensation reported above.

NTRA agreed to fund a portion of a separation agreement with the retired Commissioner. This amount of \$100,000 is included in general and administrative expenses and accounts payable and accrued liabilities in 2006.